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MEMBER AGENCY OF THE
METROPOLITAN WATER
DISTRICT
SOUTHERN CALIFORNIA

January 28, 2009

Call and Notice of Meeting of the Governing Board of the
Las Virgenes - Triunfo Joint Powers Authority

A Joint Powers Authority Meeting of the Board of Directors of Las Virgenes Municipal Water District and Triunfo Sanitation District is hereby called, and notice of said Meeting is hereby given for 5:00 p.m. on Monday, February 2, 2009 at Las Virgenes Municipal Water District, 4232 Las Virgenes Road, California 91302 to consider the following:

- 1 Joint Powers Authority Business Meeting (Agenda Attached)
- 2 Adjourn

By Order of the Board of Directors
JOSEPH M. BOWMAN, Chair

John R. Mundy
Administering Agent General Manager
Joint Powers Authority

c: Each Director



LAS VIRGENES - TRIUNFO
JOINT POWERS AUTHORITY
AGENDA

CLOSING TIME FOR AGENDA IS 8:30 A.M. ON THE TUESDAY PRECEDING THE MEETING. GOVERNMENT CODE SECTION 54954.2 PROHIBITS TAKING ACTION ON ITEMS NOT ON POSTED AGENDA UNLESS AN EMERGENCY, AS DEFINED IN GOVERNMENT CODE SECTION 54956.5 EXISTS OR UNLESS OTHER REQUIREMENTS OF GOVERNMENT CODE SECTION 54954.2(B) ARE MET.

5:00 PM

FEBRUARY 2, 2009

PLEDGE OF ALLEGIANCE

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at ___ p.m. by ___ in the Las Virgenes Municipal Water District Board Room and the Clerk of the Board called the roll.

	<u>Present</u>	<u>Left</u>	<u>Absent</u>
Triunfo Sanitation District			
Dennis Gillette	_____	_____	_____
Tom Glancy	_____	_____	_____
Janna Orkney	_____	_____	_____
Linda Parks	_____	_____	_____
Michael Paule	_____	_____	_____
Las Virgenes Municipal Water District			
Joseph Bowman	_____	_____	_____
Charles Caspary	_____	_____	_____
Glen Peterson	_____	_____	_____
Lee Renger	_____	_____	_____
Jeff Smith	_____	_____	_____

2. CHAIR/VICE CHAIR

Designation of Chair and Vice Chair for calendar year 2009.

3. APPROVAL OF AGENDA

Moved by _____, seconded by _____, and _____, that the agenda for the February 2, 2009 meeting be approved as presented/amended.

4. PUBLIC FORUM

Members of the Public may address the panel on items that do not appear on the agenda; and on items within the jurisdiction of the panel, providing that no action shall be taken on any item not appearing on the agenda unless authorized by Government Code Section 54954.2.

5. **ILLUSTRATIVE AND/OR VERBAL PRESENTATION AGENDA ITEMS**

- A Regulatory Update
- B Triennial Review of Basin Water Quality Control Plan – new findings
- C Legislative Update

6. **CONSENT CALENDAR**

Minutes of the Las Virgenes - Triunfo Joint Powers Authority Meeting of December 1, 2008.
APPROVE

Moved by Director _____, seconded by Director _____, and _____, that the Consent Calendar be approved and adopted as presented.

7. **ACTION ITEMS**

- A Authorization to Finalize Draft Property Lease and Energy Recovery Services Agreements with US Energy Operation Services, LLC - Combined Heat and Power (CHP) Project

Moved by Director _____, seconded by Director _____, and _____, that the JPA Board waive bidding requirements for the 'interface facilities' because they are part of a larger project for which bidding is not practical; and approve the agreements and authorize the Administering Agent to execute the agreements after staff makes minor conforming changes, if any, that are necessary to commence work.

- B Joint Powers Authority Quarterly Financial Report at December 31, 2008 and Spotlight on Joint Powers Authority

Moved by Director _____, seconded by Director _____, and _____, that the Joint Powers Authority Quarterly Financial Report at December 31, 2008 and Spotlight on Joint Powers Authority be received and filed.

8. **BOARD COMMENTS**

9. **FUTURE AGENDA ITEMS**

10. **NON-ACTION ITEMS**

Information Items

- (1) Award of Contracts – Renovation of Indian Hills Recycled Water Tank
- (2) Consultant's Contract Given Administrative Approval For the Three Month Period Ending December 31, 2008
- (3) Summary of Conservation Measures

11. **CLOSED SESSION**

Conference with District Counsel - Potential Litigation

LVMWD vs. Onsite Power Systems, Inc.

12. **ADJOURNMENT**

February 2, 2009 JPA Board Meeting

TO: Board of Directors
FROM: Facilities & Operations

Subject: Regulatory Update

SUMMARY

During 2008 and into 2009 the State Water Resource Control Board (SWRCB) and Los Angeles Regional Water Quality Control Board (RWQCB) issued several new regulations and policies that have the potential to affect current and future operations.


These regulations and policies are:

- Recycled Water Policy (SWRCB)
- General Permit for Landscape Irrigation uses of Recycled Water (SWRCB)
- Tentative General Permit for Recycled Water Uses other than Irrigation (RWQCB)
- Potable Water Discharges (RWQCB)

In addition to these policies and regulations, the SWRCB has restructured its fee schedule resulting in a \$100,000 decrease to the JPA.

Staff will update the Board on these issues as well as planning efforts for the Tapia discharge permit renewal at the Board meeting.

David R. Lippman, Director of Facilities and Operations prepared this report.



John R. Mundy Date 1/20/09
Administering Agent/General Manager

February 2, 2009 JPA Board Meeting

TO: Board of Directors

FROM: Resource Conservation & Public Outreach

Subject: Triennial Review of Basin Water Quality Control Plan – New Findings

SUMMARY

Last fall the Los Angeles Regional Water Quality Control Board (RWQCB) solicited water quality data from the JPA and other interested parties for their use in beginning the Triennial Review of the Water Quality Control Plan for the Los Angeles Basin, which includes the JPA service area¹. The Basin Plan is the source of water quality standards enforced in NPDES permits for discharges to surface and groundwater. Review of the data from new monitoring locations in the upper watershed found unusually high levels of phosphorus, total dissolved solids (TDS), and other constituents regulated in the Basin Plan. Further investigation found a strong association with natural sediments derived from the Monterey and Modelo geological formations. The linkage of high phosphorus and specific conductivity to a natural source has significant regulatory implications for the JPA, local cities and other responsible agencies that may be trying to meet Basin Plan standards that are naturally exceeded in the JPA service area.

DISCUSSION

Last October the RWQCB announced the start of its Triennial Review of the Los Angeles Basin Water Quality Control Plan (Basin Plan). The notice included a solicitation of recent water quality data for the Board's use in updating the Los Angeles Basin Water Quality Control Plan, which is the starting point for all NPDES permits and water quality objectives. We submitted our response and the associated data files to the Regional Board on November 6th.

However, in compiling our response, we noticed some anomalous data for several water quality parameters which vary well-outside the ranges that are typical for coastal and inland streams in the Los Angeles Basin. The parameters are mostly related to mineral quality and certain metals, but also include phosphorus, which exceeds the EPA TMDL summer limit of 0.1 mg/L in the upper watershed, including several presumably unimpaired reference sites.

Further investigation found a strong association between the anomalous water quality data and local geology, specifically the Monterey/Modelo formation, a chemically distinct, high-mineral marine sedimentary formation located in the foothills to the north of the 101 freeway and extending west well into Ventura and Santa Barbara Counties. A substantial body of scientific information exists for these formations because they are also very high in total organic carbon (TOC), and contain some of the Los Angeles, Ventura and Santa Barbara basins' most historically productive oil fields. Apparently the formation's high phosphorus levels are widely

¹ As its name implies, the Triennial Review is a periodic review of water quality in the state, undertaken every three years to keep water quality regulations up to date. While required under the Clean Water Act, the state's Regional Boards have significant latitude in how much time and effort to invest in a particular review cycle.

² Water in lower Las Virgenes Creek, for example, right outside District headquarters, appears to be a blend of high mineral water from the Monterey/Modelo formation north of the 101 freeway, and locally-derived moderately salty water characteristic of the Conejo Volcanics.

known to petroleum geologists, who use it along with other information as a chemical fingerprint for high TOC rock.

Given this new information, the high mineral, metal and phosphorus results are not anomalous at all, nor even particularly surprising. Based on the most recent geological mapping, the Monterey/Modelo formation covers just over 14,000 acres, or about 20 percent of the Malibu Creek watershed's footprint. Furthermore, its location in the upper watershed results in the downstream transport of both water and alluvium derived from the formation, affecting mineral water quality well downstream of the formation and into the mainstem of Malibu Creek³.

What is curious is that the Monterey/Modelo formation is virtually unknown in the regulatory community, especially as it relates to nutrient enrichment of local creeks and lakes. The current Los Angeles Basin Water Quality Control Plan never mentions it, even though it clearly impacts the mineral quality of most of the Basin's western drainages and groundwater basins. It was completely overlooked by Tetra-Tech Inc., the EPA contractor who did the technical studies that determined nutrient loads and allocations for the nutrient TMDL (all of which will now have to be recalculated). It was also overlooked by a RWQCB-commissioned study of nutrient enrichment and algal growth conducted by the Southern California Coastal Research Project (SCCWRP), although they noted that their results were consistent with nutrient saturation from unknown sources even above Tapia WRF. Two studies by UCLA (Ambrose et al., 1996, 2002) also overlooked the influence of local geology on their field measurements, despite obvious geographic correlations between high conductivity sites and algal biomass.

In short, none of these studies – including site-specific studies of algal growth – discuss or even mention the presence of what is, in essence, a giant natural source of fertilizer perched at the top of the watershed. Given that over half of the 303(d) listings for the watershed involve nutrient over enrichment and poor mineral quality, this oversight, if left unchecked, could result in millions of dollars in unnecessary attempts to rectify the problems by controlling human sources.

In fairness to these previous efforts, it is only recently that we have had water quality data from sites in the upper watershed above the 101 freeway. Heal The Bay did not expand their "Stream Team" sampling program to the affected areas until 2002, when they believed they would record better water quality in upper watershed "reference" sites (which are located in open space areas). Heal The Bay staff noted the unusually high phosphorus levels above Ahmanson Ranch at a Watershed Advisory Council meeting a few years ago, but they attributed it to legacy fertilizer from a plant nursery that used to be located in the vicinity. Apparently they overlooked the extraordinarily high mineral content and other water quality anomalies that might have alerted them to geological sources⁴. The geological correlation is also apparent in other data sets, such as the watershed-wide monitoring program conducted by the City of Calabasas in partnership with the JPA and local cities. That effort began collecting data from the upper watershed in 2005. The correlation is also apparent in data collected by the SCCWRP, and Dr. Eric Stein at SCCWRP did, in fact, notice the unique, low mineral character of Cold Creek and agreed that it did not fairly represent natural background conditions for the rest of the

⁴ The extent of the effect is much larger than can be attributed to a nursery or any other known anthropogenic point source, given its magnitude (TDS levels in excess of 2,500 mg/L and specific conductivity levels in excess of 4,000 $\mu\text{hos cm}^{-1}$), its geographic extent (multiple tributaries in several subwatersheds), and its age (early well records show elevated mineral levels well as early as the 1940's and 1950's, well before the urbanization of the upper watershed).

watershed, which is much saltier than Cold Creek. That was an important observation, as there is no way to achieve the “reference” conditions of Cold Creek in the other tributaries to Malibu Creek due to their different geologies.

District staff has long been aware of the high mineral and sulfur content of local groundwater, as are many “old timers” who in the 1950’s maintained domestic water wells with names like “old stinky.” We also knew the area had high mineral water from early well logs, but those logs often had no information on metals and never included testing for phosphorus. All marine sediments are enriched in salts, but because of its unique origins the Monterey/Modelo formation is also enriched in certain metals, TOC and phosphorus⁵. It is these latter features that separate the formation from other marine sediments that can also yield high mineral water.

But the geological details underlying high conductivity ground water locally were not widely known until 1992, when the Dibblee geological maps were published by the USGS, and the linkage between high conductivity and algal growth was not widely known until 2000, when Biggs published his New Zealand periphyton guidelines. To our knowledge, the JPA’s compilation of data for the Triennial Review is the first time anyone has brought all this information together and identified a natural source for phosphorus and other minerals regulated in this region by the RWQCB.

In short, it appears that at least a dozen water quality parameters are controlled by the basement parent rock of specific subwatersheds draining into Malibu Creek (e.g. Cheseboro Creek, Medea Creek, Lindero Creek, upper Triunfo Creek, upper Las Virgenes Creek)⁶. While staff is still working on the details, the phenomenon is clearly linked to the Monterey/Modelo formation, is natural in origin, and fills some long-standing gaps in our understanding of why local waters are so brackish *and conducive to algal growth*.

From a regulatory perspective, these findings are significant because four of the affected water quality parameters are currently regulated by the Regional Board, and already have either an established Total Maximum Daily Load (e.g., phosphorus), or are currently scheduled for TMDL limits due to exceedances of current Basin Plan objectives (e.g. specific conductivity, selenium, arsenic). Phosphorus levels in the creek exceed the TMDL objective at all locations within the Monterey/Modelo Formation, and most of the sites in the lower watershed immediately below the formation, especially in summer when flows derive mainly from groundwater from those formations. In the absence of this information, the Regional Board will likely continue to promulgate new regulations and compliance schedules on the assumption – shared at this point by virtually all stakeholders and NGO’s - that urban runoff is the culprit for excess nutrients such as phosphorus and other mineral-related water quality problems in the upper watershed. If our findings are true, this assumption is a recipe for another 20 years of failed attempts to make Malibu Creek look just like neighboring unimpaired coastal streams.

Fortunately, if the Regional Board concurs with our findings, the TMDL process for a naturally-occurring problem like this, while still required, is very short; basically a formal finding by the state that the problem is natural, followed by delisting of the pollutant under section 303(d) of the Clean Water Act, and a statement of natural non-attainment of any affected beneficial uses.

⁵ The origins of the Monterey formation are discussed in the recent book of the same name by Issacs and Rullkotter (2001). They originated as nearshore marine sediments in 200 – 600 m.

⁶ The only tributary apparently unaffected by the phenomenon is Cold Creek, which is located in a different geological setting (the relatively low mineral Topanga and Sespe formations).

As for the likelihood of the Regional Board concurring with staffs' findings, they should have little problem accepting the mineral impacts, based on our successful discussions with them on the Tapia groundwater sulfate issue⁷. We also think they will agree that the high phosphorus levels are natural in origin, given the data. But they may conclude that algae can be controlled by limiting nitrogen inputs (basically starving the algae by reducing one essential nutrient). This would be a mistake, because the specific algal species responsible for algal mats can grow at nitrogen levels well-below those available naturally, based on the limited data we have on species-specific nutrient requirements. But this counter-argument is more complex and harder to follow than the geology premise, and it is also more difficult for them to support politically given the NGO's insistence on a linkage between excess algae and human nutrient inputs in the watershed.

Given the importance of these findings, we are currently working to fill-in the details and evaluate our findings against additional datasets, e.g. chemistry data from the aforementioned studies, groundwater data from the Santa Susanna Monitoring Effort, historical data from District library sources, and our own long-term NPDES monitoring program. But we are rapidly reaching the point where some calls to outside experts would be very valuable, especially regarding some of the fine detail in our geological and mineralogy interpretations. Some of the local city managers are also aware of the issue from our briefing at the last COG meeting.

The JPA should continue to vet and develop information on the impact of local geology on surface and groundwater quality. While staff is confident of its overall finding of a natural, geological impact, politically this conclusion may be met with skepticism by many stakeholders and possibly RWQCB staff as well, highlighting the need for independent review of our findings by credible experts. Staff intends to present its findings to the SCCWRP and the Bay Commission Technical Advisory Committee early next year and get their input. We also plan to consult informally with local petroleum geologists familiar with the Monterey/Modelo formation. Staff also plans to publish these findings in a peer-reviewed scientific journal, which should also help improve their acceptance by the RWQCB.

Broad dissemination of these findings may also help local cities, Los Angeles County, and local lake managers who may be trying to comply with water quality objectives that, based on this new information, are lower than can be obtained naturally. Beyond the regulatory issues, our findings may benefit anyone from better knowledge of where the least brackish groundwater is likely to be found. Potential local venues for disseminating the results include the Watershed Advisory Council and Technical Advisory Committees, the Council of Governments (COG) and the National Park Service. We also plan to present the findings to the Bay Commission and the SCCWRP, in addition to Ventura and Santa Barbara watershed councils as the Monterey Formation extends well into those jurisdictions. The ACWA, AWRA and WERF annual conferences are also good venues for the information. We will also brief our operations and maintenance staff, as the high conductivity of the affected areas may result in higher corrosion rates for ferrous metals.

From a permitting perspective, our submission to the RWQCB for the Triennial Review establishes this information as part of the administrative record for both the JPA NPDES permit and the nutrient TMDL, but we should seek other opportunities to inform RWQCB staff as the

⁷ A few years ago we were notified of a sulfate violation at Tapia. Further investigation found the sulfate data were from the balancing pond groundwater dewatering system, and that the sulfate was groundwater with natural levels of sulfate higher than the Basin Plan objective. RWQCB staff agreed that the problem was with the objective itself, which was based on wet weather sampling when natural sulfate levels are lower.

permit cycle begins anew in late 2009. We expect a push from the NGO's and possibly RWQCB staff for even lower nutrient limits, including winter phosphorus limits. Concurrently with this, the RWQCB has yet to write the implementation plan for the Malibu Creek nutrient TMDL, and has indicated they may lower the receiving water objectives even further. *The current TMDL load allocations for phosphorus are complete fiction in light of this new information*, but the necessary correction – higher limits set no lower than natural background levels – is exactly opposite what the NGO's expect, which is even lower limits.

Dr. Randal Orton, Resource Conservation Manager, prepared this report.

 01-23-2009
Jimmie Cho Date
Director of Resource Conservation & Public Outreach

 1/26/09
John R. Mundy Date
Administering Agent/General Manager

MINUTES OF A MEETING OF THE GOVERNING BOARD
OF THE LAS VIRGENES-TRIUNFO JOINT POWERS AUTHORITY
HELD ON DECEMBER 1, 2008

1 The governing board of the Las Virgenes-Triunfo Joint Powers Authority met in a Meeting at 4232 Las Virgenes Road, Calabasas, California 91302 at 5:00 p.m. on Monday, December 1, 2008.

Chair Bowman called the meeting to order at 5:00 p.m.

The Pledge of Allegiance to the Flag was given, led by Director Stark.

Clerk of the Board called the roll. Directors present were: Gillette, Glancy, Orkney, Stark, Bowman, Caspary, Renger and Smith.

Directors not present: Parks and Peterson excused.

The Chair declared a quorum present.

Triunfo Legal Counsel Mathews stated a revised "Call and Notice of Meeting" had been posted in accordance with the law, including at the Oak Park Library notifying the public of a continued Meeting time from 4:00 p.m. to 5:00 p.m. Las Virgenes Legal Counsel O'Neill stated his concurrence.

2 Administering Agent General Manager Mundy stated no Closed Session would be held as there was no update on LVMWD vs. Onsite Power Systems Inc. It was then moved by Director Gillette, seconded by Director Glancy and carried unanimously, that the agenda for the December 1, 2008 meeting be approved as amended.

3 Public Forum – no speaker cards were received from the public.

4 Illustrative and/or Verbal Presentation Agenda Items – Nitin Patel, CPA of Diehl, Evans & Company, LLP made a presentation entitled "Independent Auditors' Report." Based on questions from the JPA Board, Chair Bowman requested staff provide an overview of budget and G&A on January 5, 2009. Director Gillette suggested to streamline the requested information, that staff selects a specific account and tracks it through the entire accounting process. It was then moved by Director Renger, seconded by Director Glancy, and carried unanimously, that the Joint Powers Authority, accept the financial statements and audit for "Joint Powers Authority Financial Statements and Independent Auditors' Report for June 30, 2008."

5 Consent Calendar - It was moved by Director Gillette, seconded by Director Stark, and carried unanimously, that the Minutes of the Las Virgenes-Triunfo Joint Powers Authority Meeting of October 6, 2008, be approved and adopted as presented.

6 A Principal Engineer Zhao presented the evaluation standards utilized to determine ranking and interview firms for the Combined Heat, Power and Solar (CHPS) Projects. Chair Bowman made a motion to add "with the final agreement to be presented to and approved by the JPA Board" to the recommendation. It was then moved by Director Stark, seconded by Director Caspary, and carried unanimously, that the Joint Powers Authority, authorize staff to negotiate a Power Purchase Agreement with the top three firms, in order of ranking, until an agreement can be reached with the final agreement to be presented to and approved by the JPA Board.

B Administering Agent General Manager Mundy discussed the Rancho Las Virgenes Centrate Line Replacement Project. It was then moved by Director Gillette, seconded by Director Glancy, and carried unanimously, that the Joint Powers Authority, approve the Request for Proposals for the provision of plans and specifications for the construction of the Rancho Las Virgenes Centrate Line Replacement Project; and approve finding that the project is exempted from provisions of CEQA [CEQA Guidelines section 15302(c)].

7 Board Comments – Chair Bowman recognized Director Ron Stark for his 24 years of service on the Triunfo Sanitation District Board.

8 Future Agenda Items – Director Orkney requested staff provide the JPA Board with a budget overview including G&A at their next meeting; and Chair Bowman requested Las Virgenes General Manager Mundy and Triunfo General Manager Lawler provide the JPA Board a report summarizing the water conservation efforts of both agencies.

9 Information Items
(1) Call for Bids for Sprayfield O&M Services

10 Closed Session – None

11 There being no objection; the Chair declared the meeting adjourned at the hour of 6:09 p.m.

Janna Orkney, Chair

ATTEST:

Charles Caspary, Vice Chair

(SEAL)

February 2, 2009 JPA Board Meeting

TO: Board of Directors
FROM: Facilities & Operations

Subject: Authorization to Finalize Draft Property Lease and Energy Recovery Services Agreements with US Energy Operation Services, LLC Combined Heat and Power (CHP) Project

SUMMARY

On April 7, 2008, the JPA Board approved a Request for Qualification (RFQ) for the Combined Heat, Power and Solar (CHPS) Project. On July 7, 2008, the JPA Board approved a list of qualified contractors and the release of one RFP for Combined Heat and Power (CHP) project and another RFP for the Solar project. On September 17, 2008, five proposals for the CHPS project and 5 proposals for the Solar project were received. On November 3, 2008, staff provided a verbal update and informed the JPA Board that staff would bring a ranking of the CHP proposals to the JPA Board and ask for authorization to negotiate. On December 1, 2008, JPA Board authorized staff to negotiate a Power Purchase Agreement with the top three firms, in order of ranking (US Energy, Honeywell and enXco), until an agreement can be reached.

Based on the guidance provided by the JPA Board discussion at the December 1, 2008 Board meeting and subsequent discussion with staff from the City of Thousand Oaks who contracted with US Energy for similar cogen operations, staff has successfully negotiated a Draft Property Lease Agreement and an Draft Energy Recovery Services agreement with the top ranked firm, US Energy Operation Services, LLC. The Draft Property Lease Agreement defines the tenant landlord relationship while the Draft Energy Recovery Services Agreement defines the terms of electricity production from digester gas by US Energy Operation Services, LLC at the Rancho Composting Facility.

RECOMMENDATIONS

- Waive bidding requirements for the 'interface facilities' because they are part of a larger project for which bidding is not practical.
- Approve the agreements and authorize the Administering Agent to execute the agreements after staff makes minor conforming changes, if any, that are necessary to commence work.

FINANCIAL IMPACT

Based on the current Edison electrical rate of 13.5 cents per kWh at Rancho with a projected annual electrical cost of \$341,000, the proposed 6.49 cents per kWh cogen project would provide approximately 50% energy savings. Under current Edison tariff, the Authority has to pay monthly cost associated with standby charges and other regulatory charges. The Authority will also pay for the construction of the interface facilities in amount not to exceed \$207,500. The Fiscal Year 08-09 budget provides funding for the Combined Heat and Power (CHP) project under CIP Job #10257 in the amount of \$280,000.

BACKGROUND

Summary terms of the Draft Energy Recovery Services Agreement are as follows:

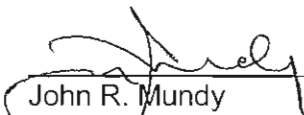
- 1) US Energy has up to 12 months to complete and operate the cogen system.
- 2) US Energy will deposit \$75K security deposit for all unfilled obligations.
- 3) US energy will recover heat from the Energy system and provide heated water to District's boiler for digester heating.
- 4) US Energy is responsible for system upgrade due to future regulatory requirement changes.
- 5) US Energy is required to store spare parts and minimize peak hour down time.
- 6) The Authority does not warranty the quality and quantity of the digester gas for the cogen system.
- 7) The agreement provides the option to purchase the energy system after two years of operation.

As a part of the proposed CHP project, US Energy will construct Interface Facilities to facilitate the connection of biogas to the generation equipment and send generated electricity to the distribution system on site. The Authority will pay for the improvement as stated in the Energy Recovery Services Agreement in an amount not to exceed \$207,500. Legal Counsel has determined that it is not feasible to require public bidding for this part of the project and is recommending that the Board waive the requirements for public bidding for the construction of the Interface Facilities.

John Zhao, Principal Engineer, prepared this report.

 1/28/09

David R. Lippman Date
Director of Facilities and Operations

 1/28/09

John R. Mundy Date
Administering Agent/General Manager

LEASE AND AGREEMENT

As of _____, 2009, **Las Virgenes Municipal Water District**, hereinafter *Lessor*, and, **US Energy Operating Services, LLC**, hereinafter referred to as *Lessee*, agree as follows:

1. Purpose.

Lessor leases to Lessee the generator room and compressor room located at Rancho Las Virgenes, and more particularly described on Exhibit "A" attached hereto.

2. Term.

This lease commences on the date first above written, and ends with the Termination of Agreement for Energy Recovery Services of even date between the parties (herein "energy agreement").

3. Consideration.

(a) Lessee shall pay monthly rent in the amount of Three Thousand US dollars (\$3,000.00) per month starting on the operational commencement date as defined in the energy agreement. Rent payments are in arrears due by the 15th of the month following the end of the quarter after the operational commencement date.

(b) Further consideration for this lease is the installation of the energy system by the lessee and the agreement to provide electricity to the District as provided in the energy agreement.

4. Use of Premises.

The premises shall be used for the construction, operation and maintenance of electrical energy generation and distribution facilities and for no other purpose. The lessee shall use premises solely for the purposes of: (i) installing the energy system; (ii) generating, producing, enhancing, transforming and transmitting energy; and (iii) operating the energy system to produce electricity for sale to the District. The lessee shall not use the premises for other purposes. The lessee shall construct, operate, and maintain the energy system such that the energy system will not interfere with the operations of the lessor or do damage to any of its physical structures.

5. Nuisance or Unlawful Uses.

(a) Lessee shall not commit waste, including environmental contamination, nuisance or unlawful activity on the premises, nor shall Lessee permit or allow others to commit waste, nuisance or unlawful activity on the premises.

(b) To the best of Lessor's knowledge, no hazardous materials are present upon, in or under, or have been released from the premises.

(c) Lessee shall not cause or permit the discharge of hazardous materials at the premises. The presence or use of hazardous materials in products required for the prudent and ordinary management and operation of the premises held and used strictly in accordance with applicable laws and orders issued by insurance underwriters and prudent standards of practice shall not violate this covenant. Lessee shall perform investigations, removal, or other remedial work required under applicable law. Lessee may delay commencement of remedial work pending resolution of a good faith contest regarding the application, interpretation or validity of laws, orders, or agreement. Lessor shall approve the remedial work, which approval shall not be unreasonably withheld or delayed. "Hazardous materials" means hazardous or toxic substances, as regulated by law, order, or common law decision, including, without limitation, trichloroethylene, tetrachloroethylene, perchloroethylene, and other chlorinated solvents; petroleum products or by-products; asbestos; and polychlorinated biphenyls.

6. Holdover and Surrender.

(a) At the termination of this Lease, Lessee shall vacate the premises in as good a condition as at the time of entry by Lessee, except for the reasonable use and wear, acts of God, or damage by casualty beyond the control of Lessee. Lessee shall leave the premises free and clear of all rubbish and debris upon vacating.

(b) If Lessee holds over beyond the end of the term with the consent, express or implied of Lessor, such tenancy shall be from month-to-month, subject to the terms of this Lease at the time of the holdover. Holdover shall not be deemed renewal of this lease and the rent shall be at the price prevailing at the time of holdover.

7. Fixtures and Improvements.

(a) Lessee shall not alter the premises or permit the premises to be altered without the prior written consent of Lessor.

(b) Lessee shall not remove leasehold improvements, but may remove fixtures, equipment and other personal property placed on the premises by Lessee or under its authority. Damage resulting from removal of fixtures, equipment and other personal property shall be repaired by Lessee.

(c) Lessee will not construct or place or permit to be constructed or placed, signs, awnings, marquees, or other structures projecting from the exterior of the premises without Lessor's prior written consent. Lessee shall remove signs, displays, advertisements or decorations Lessee has placed or permitted to be placed, on the premises, which, in Lessor's reasonable opinion are offensive or otherwise objectionable. If Lessee fails to remove such signs, displays, advertisements or decorations within thirty days after having received written notice to remove the same from Lessor, Lessor may re-enter the premises and remove them at Lessee's expense.

(d) Title to the improvements on the property existent as of the date of this lease, shall vest in Lessor at the termination of this lease. Title to improvements constructed by Lessee during the term of this lease shall vest in Lessor if Lessor purchases the improvements for then existent fair market value as of the date of termination of this lease.

8. Inspection and Maintenance.

(a) Lessor may enter on and inspect the premises at reasonable times for the purpose of ensuring compliance with the terms of this Lease and to inspect or to perform required maintenance.

(b) Lessee shall keep in good repair and maintain the premises and improvements. If Lessee fails to commence the repair or maintenance work required thirty (30) days after written notice by Lessor, or if Lessee fails to pursue the repair or maintenance work with reasonable diligence to completion, Lessor may perform or cause to be performed such repair or maintenance work and add the reasonable costs thereof to the installment(s) of rent next due as a charge to Lessee. Lessor may in connection with such repairs, erect scaffolding, fences and similar structures, post relevant notices and place movable equipment without any reduction of Lessee's rent of the premises during such period and without incurring liability to Lessee for disturbances or quiet enjoyment of the premises during such period of loss of occupancy. Lessor shall provide Lessee with reasonable prior notice of Lessor's intent to make such inspection and/or repairs so the parties may minimize or eliminate disruption of Lessee's operations.

(c) Upon expiration or termination of this lease, the lessee shall remove the Energy System, other than the Interface Facilities, from the Facility premises and return the Energy System Site to a clean and graded condition and in good repair, normal wear and tear excepted.

(d) The lessee shall remove the Energy System and other lessee property and equipment within ninety (90) days after the expiration of this lease, within ninety (90) days after the date of the notice of termination by the lessor, or within thirty (30) days of the notice from the lessee's of election to terminate. The lessee shall repair any damage to the premises caused in the removal of the Energy System. If the premises are not returned to the lessor in the condition required, the lessor may restore

the premises, and the lessee shall reimburse the lessor for any such reasonable expenditures made, plus interest equal to the then maximum rate. Any alteration of the anaerobic digester gas collection system made by the lessee shall remain in place and be surrendered on expiration or termination of the term of this lease.

9. Utilities.

Unless otherwise approved by the Lessor, Lessee shall pay for and furnish utilities, including, but not limited to, water, gas, electricity, telephone service, and waste system or sewer service used in or upon the premises during the term of this Lease.

10. Indemnification.

(a) Lessee shall indemnify and hold Lessor, its officers, agents, and employees, free and harmless from liability, costs or damages, including attorney fees, resulting from negligent acts, intentional acts or omissions to act, by Lessee, its officers, agents, or employees arising out of Lessee's occupancy of the premises.

(b) Lessee shall release, defend, indemnify and save Lessor harmless from and against any damage, liabilities, penalties and losses (including technical expenses, attorney's fees and costs) occasioned by, growing out of, or arising or resulting from Lessee's disposal or release of any hazardous substances or waste, as the term is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and/or Resource Conservation and Recovery Act (RCRA), or similar Federal or California law, and their accompanying regulations, in or on the premises and the cost for the cleanup, disposal, excavation or other response or remedial action as required by law or by any governmental authority for any hazardous substances or waste which Lessee releases or disposes in or on the premises.

11. Insurance.

Lessee shall procure and maintain during the term of this Lease and any extensions, commercial general liability insurance to protect against bodily injury, products, and personal/advertising injury, liability for damages through the use of or arising out of accidents occurring in or around the leased premises, in a minimum amount of \$1,000,000.00 each occurrence and \$2,000,000.00 in the aggregate combined single limit for bodily injury and property damage. Lessee shall procure and maintain in force during the term of this Lease, and any extension thereof, at its expense, special form fire insurance to protect against whole or partial destruction of the premises in the amount of replacement value of the building as determined by Lessor annually.

The policies shall name Lessor as an additional insured. Lessee shall require the insurer to notify Lessor in writing, at least thirty (30) days prior to cancellation, modification or refusal to renew such policy.

12. Assignment.

Lessee shall not assign this lease or sublease the premises, without Lessor's prior written consent, which shall not be unreasonably withheld. One consent by Lessor is not consent to subsequent assignments or subsequent subleases. Lessee's unauthorized assignment or sublease shall be void and shall terminate this Lease at Lessor's option. Lessee's interest in this Lease is not assignable by operation of law.

13. Taxes and Assessments.

Revenue and Taxation Code Sections 107 and 107.4 impose an *ad valorem* property tax on possessory interests created in tax exempt property. Lessee shall pay possessory interest taxes assessed on the premises before they become delinquent by law. Lessee shall also pay assessments arising from the construction, reconstruction, maintenance or improvements benefiting the premises. Such assessments shall be prorated, based upon the useful life of improvements as compared to the remaining term of the Lease.

14. Lessor's Remedies on Lessee's Breach.

(a) Lessor shall have all of the following remedies in addition to its other rights and remedies in the event of Lessee's breach:

(1) Lessor may re-enter the premises immediately and remove Lessee's personal property and store the property in a public warehouse or place of its choosing at Lessee's expense. After re-entry, Lessor may terminate the Lease on thirty (30) days prior written notice of termination to Lessee. Otherwise re-entry will not terminate the Lease. After re-entering, Lessor may relet the premises or any part for any term, without terminating the Lease, on such terms as Lessor may choose. Lessee is liable to Lessor for the expenses of reletting, and alterations and repairs made by Lessor to facilitate the relet of the premises. Lessee shall also pay Lessor the difference between the rent received by Lessor under the reletting and the Base Rent installments due for the same period under this Lease. Lessor may apply the rent received from reletting the premises as follows: to reduce Lessee's indebtedness to Lessor under the Lease, to expenses of the reletting and alterations and repairs made, to rent due under this Lease, and/or to payment of future rent under this Lease as it becomes due.

(2) If the new lessee does not pay a rent installment promptly to the Lessor, and if the rent installment has been credited in advance of payment to Lessee's indebtedness other than rent, or if rentals from the new lessee have been otherwise applied by Lessor as provided for herein, and during any rent installment period are less than the rent payable for the corresponding installment period under this Lease, Lessee shall pay Lessor the deficiency separately for each rent installment deficiency period and before the end of that period.

(b) Lessor may at any time terminate the Lease for the breach and seek all available remedies.

(c) Lessor may recover from Lessee on terminating the Lease damages proximately resulting from the breach, including the cost of recovering the premises and the value of the premises for the remainder of the Lease term, which sum shall be immediately due Lessor from Lessee.

15. Non-discrimination.

Lessee will not discriminate or permit discriminations against any person or class of persons by reason of race, color, creed, sex or national origin in any such manner prohibited by Federal Regulations.

16. Miscellaneous.

(a) Notices shall be written and delivered personally to the person to whom the notice is to be given, or mailed, postage prepaid, addressed to such person. Lessor's and Lessee's address for this purpose are:

Lessor: General Manager
Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, CA 91302
Facsimile: (818) 251-2109

Lessee: US Energy Operating Services, LLC
8245 E. Bell Rd., Suite 132
Scottsdale, AZ 85260
Attn: Lou Lagomarsino, Managing Partner
Facsimile: (480) 419-6909

(b) Lessor's waiver of breach of any term, covenant or condition of this Lease is not a waiver of breach of others nor of subsequent breach of the one waived. Lessor's acceptance of rent installments after breach is not waiver of the breach.

(c) This Lease and its terms, covenants and conditions apply to and are binding upon and inure to the heirs, successors, executors, administrators and assigns of the parties hereto.

(d) Time is of the essence herein.

(e) The prevailing party shall recover from the non-prevailing party, attorney fees and costs in the event a dispute arises between the Lessor and Lessee in connection with this lease.

(f) No prior and contemporaneous conversations, negotiations, possible and alleged agreements concerning the subject matter hereof, other than those referred to herein, are merged herein. This is an integrated agreement. Any modification of this lease must be agreed upon in writing by every party to this lease.

(g) If any provision of this Lease is determined to be invalid or unenforceable. The remaining provisions shall continue to operate to the extent possible.

(h) This lease shall be construed in accordance with the laws of the State of California.

(i) This lease is deemed to have been drafted by the Lessee and Lessor.

(j) The parties executing this Lease represent they have appropriate authority.

(k) Unless stated otherwise herein, no real estate brokers have been involved in this Lease and no real estate broker commissions or fees are due or owed from Lessor.

(l) In any real estate transaction, it is recommended that you consult with a professional.

THE PARTIES HAVE CAUSED THIS LEASE AND AGREEMENT TO BE EXECUTED AS OF THE DATE WRITTEN FIRST ABOVE.

Lessee:

Lessor:

ATTEST:

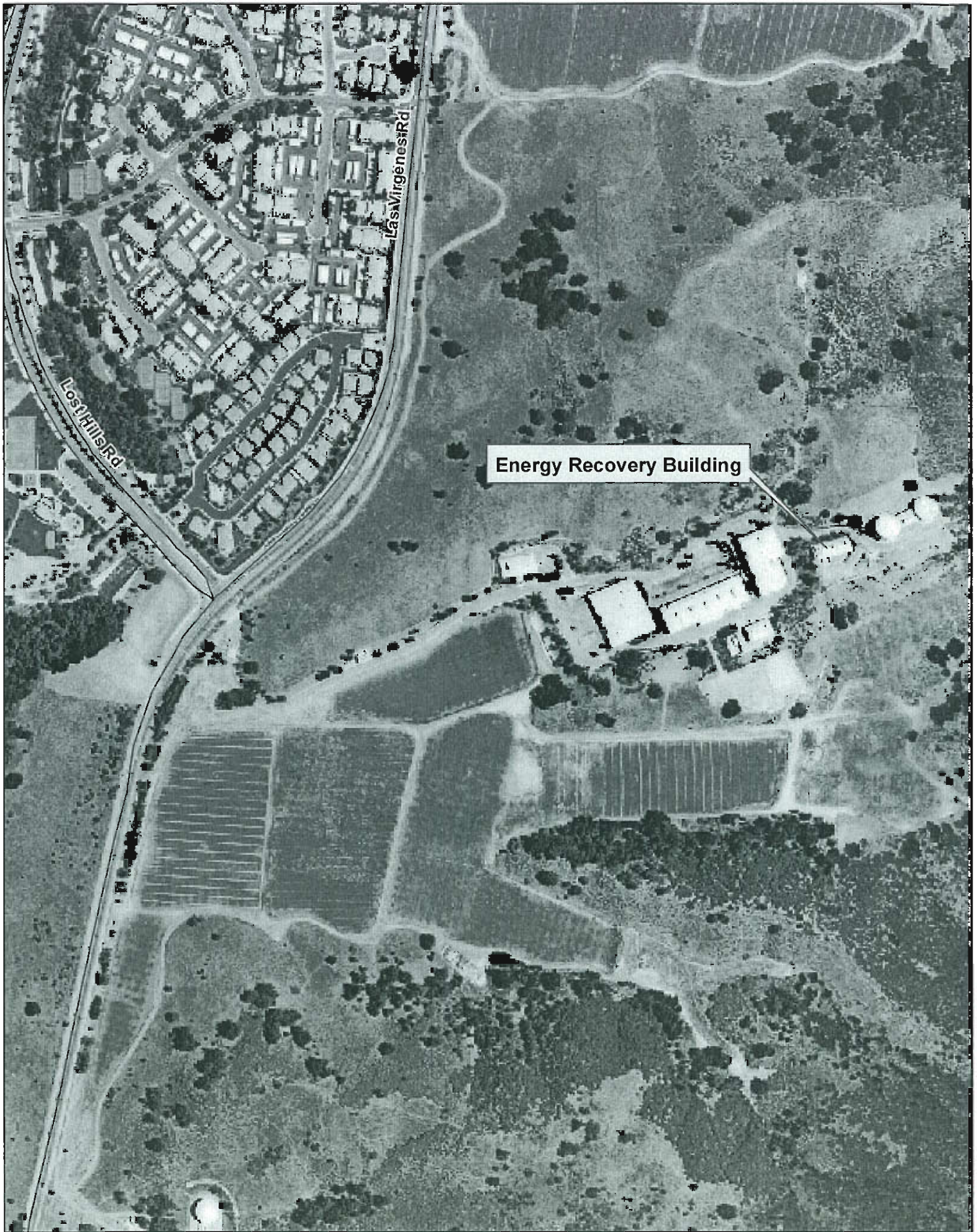
[Seal]

Approved as to Form by:

EXHIBIT "A"

Legal description of leased properties

The real estate lease is located at the Rancho Las Virgenes Composting Facility (see Attachment 1, vicinity and location map). The real estate lease includes facilities and utility connections necessary to perform electrical generation as described in the energy agreement. More specifically, the lease includes a 42 feet by 37 feet compressor room and a 38 feet by 37 feet generator room as indicated in the Attachment 2, Rancho Energy Recovery Building Floor and Roof plane sheet 6A-1.



AGREEMENT FOR ENERGY RECOVERY SERVICES

As of _____, 2009, LAS VIRGENES MUNICIPAL WATER DISTRICT, (the "District") and US ENERGY OPERATING SERVICES, LLC, and (the Company") agree as follows:

1. Purpose and Scope.

This agreement sets forth the terms under which Company shall deliver and District shall purchase electrical and thermal energy.

2. Definitions.

The following terms are defined for the purposes of this Agreement:

Design Specifications: The requirements for the design of the energy system as set forth in this Agreement.

Electrical Interconnection Point: The physical point specified in the Project Design where the Energy System connects to the pre-existing electrical systems serving the Facility.

Energy: Electricity and thermal energy.

Energy System: The system furnished and installed by the Company for the production of Energy. This system resides in a Company furnished enclosure located in the Cogeneration Room.

Energy System Description: A description of the proposed Energy System including, at a minimum, a description of the proposed technology for electricity generation, projected kilowatt hours of electricity to be generated on a daily basis, and projected therms of waste heat to be recovered on a daily basis.

Excused Outage: Downtime of the Energy System due to routine maintenance or due to events caused by the District at the Facility that cause the interruption of normal operation of the Energy System.

Facility: Rancho Composting Facility and Tapia Water Reclamation Plant where sludge is pumped to Rancho Composting Facility for digestion and composting.

Interface Facilities: All real property improvements including foundations, piping, electrical and other appurtenances which are necessary for the connection of the Energy System to the Facility. Improvements will include refurbishment and/or replacement of Facility-owned fuel treatment

equipment, radiators, hot water heat exchanger system, and electrical interconnection.

Leasehold premises: The site occupied by the Company pursuant to the lease of even date between the parties.

Notice to Proceed: A notice issued by the District to the Company to proceed with the design and construction of the Energy System.

Operational Commencement Date: The first day the Energy System delivers energy at full capacity.

Project Design: The design of the Energy System prepared by the Company and approved by the District.

Project Schedule: The schedule approved by the District as part of the approval of the Project Design for permitting, financing, construction, commissioning, and operation of the Energy System.

Public Utility: A private or public provider of electrical services to the District.

3. Facility Location

The Company shall construct and operate the Energy System entirely upon the leasehold premises.

4. Use of the Facility and Non-Interference

4.1 The District may construct or reconstruct facilities and appurtenances in, upon, under, across and along the leasehold premises; provided, such uses do not unreasonably interfere with the Company's operations.

5. Term

5.1 The Agreement shall take effect on the date first written above and shall terminate twenty (20) years after the Operational Commencement Date or upon the occurrence of any of the following:

5.1.1 Election of termination pursuant to a right of termination granted in this Agreement.

5.1.2 Mutual agreement of the parties.

- 5.2 In addition to the rights to terminate under other provisions of this Agreement, the District may terminate this Agreement at any time upon thirty (30) days written notice to the Company, without further liability if:
- 5.2.1 The Facility is destroyed or so damaged that the Facility is not used by the District for the treatment of wastewater or biosolids. In such case the Company shall remove its Energy System, in accordance with Section 19.1, within ninety (90) days after notice of termination by the District without further liability to the District.
 - 5.2.2 Operational Commencement Date does not occur within one year of the Notice to Proceed. However, if the Company demonstrates it has timely taken required actions to obtain all approvals for the Energy System and Interface Facilities, has ordered all of the major Energy System components, and has begun construction, or if the company is prevented from starting operations due to *force majeure*, the one-year deadline shall be extended on a day-to-day basis as required to complete the Energy System if the Company continues to make a diligent effort to complete the Energy System.
 - 5.2.3 The Company fails to operate the Energy System for a continuous period of sixty (60) days, or for ninety (90) days in any six (6) month period.
- 5.3 Notwithstanding the foregoing, the Company may terminate this Agreement within 12 months of the effective date of this agreement upon thirty (30) days written notice to the District, if:
- 5.3.1 The Company is unable, after diligent efforts, to obtain or maintain required approvals from Government Authorities for the installation and operation of the Energy System or to secure the SGIP rebate from Southern California Gas Company (Sempra).

6. **Assignment of Agreement**

- 6.1 The Company shall not assign, sublet, or transfer any right, privilege, obligation, or interest in this Agreement, or any part thereof, without prior written consent of the District, however, the District's consent shall not be withheld without reason to facilitate financing for the construction, ownership, operation, or maintenance of the Energy System. No such assignment shall be effective as against the District unless and until the Company shall have filed with the District a written notice thereof.

7. Performance Security

7.1 The Company shall deposit a performance security of Seventy Five Thousand Dollars (\$75,000) in a form acceptable to the District. District may draw upon the performance deposit if the District incurs costs to unfulfilled obligations of the Company.

8. Design, Construction and Operation of Energy System and Interface Facilities

8.1 The Energy System Description is provided in the Company's proposal dated September 17, 2008. Project Design will not vary from the Energy System Description without written consent from the District. Non-substantive equipment substitutions are permitted as long as they are "like-kind or better."

8.2 The Company shall cause the Energy System and Interface Facilities to be designed and constructed in accordance with the California Building Code, Southern California Edison requirements, the laws of all Governmental Authorities with jurisdiction and pursuant to the final approved Project Design at the Company's sole cost. The Energy System and the Interface Facilities shall be reviewed and approved by all Governmental Authorities that have jurisdiction by law, and where such reviews and approvals are conducted by the District, such approvals shall not be unreasonably withheld, delayed or conditioned. The electrical interconnection with Southern California Edison connection shall be automatic and non noticeable by Facility staff and operation if the source of power has to be switched between the Energy System and Southern California Edison.

8.3 No construction work shall occur until:

8.3.1 The District has reviewed and approved the Company's Project Design and has issued a building permit and encroachment permit.

8.3.2 The Company has obtained all approvals for the Energy System and the Interface Facilities. Within a period reasonable under the circumstances, the District shall provide to the Company a response to any and all approvals required under this Agreement and shall not unreasonably withhold any such approval. In the event that the District shall refuse to grant any approval, the District shall provide, in writing, to the Company the reason for the refusal and set forth what changes in plans, designs, or drawings are required in order for the District to grant approval.

- 8.3.3 The Company has procured and, if required, paid for all code compliance reviews, permits, and authorizations and governmental subdivisions, if any, having jurisdiction over the construction of the Energy System and the Interface Facilities. All permits, authorizations, reviews and any environmental documentation, including any required by the South Coast Air Quality Management District obtained in connection with this Agreement and the use of the Energy System shall be obtained at the Company's sole cost and expense.
- 8.3.4 The Company has secured all insurance coverage required in Section 22 and has provided the District with copies of such policies; and
- 8.3.5 The District has provided the Company a written Notice to Proceed.
- 8.4 The Company shall commence design and construction of the Energy System and the Interface Facilities no sooner than ten (10) days after the effective date of this Agreement, and no later than sixty (60) days after Notice to Proceed. The construction of the Energy System and the Interface Facilities shall be completed in accordance with the project schedule and in no event later than one year after the Notice to Proceed.
- 8.5 The Company shall submit a complete set of Project Design plans within sixty (60) days of the effective date of this Agreement. Such plans will include a Project Schedule for the completion of permitting, financing, construction and commissioning of the Energy System specifying a date or reference date for each major milestone including the Operational Commencement Date. Such plans shall also include the parameters of the Energy to be provided which shall include the voltage, KW, power factor for electricity and temperature, pressure, flow and BTU's of the thermal energy to be made available. The plans and Project Schedule shall be subject to approval by the District as part of the Project Design.
- 8.6 The District's approval of the Project Design shall not be interpreted as making the District responsible for the design. The District is not responsible for the design, construction or operation of the Energy System and the Interface Facilities.
- 8.7 The Company shall, at its sole cost and expense, design, build, own, operate and maintain the Energy System in compliance with the Project Design plans, Project Schedule, and all provisions of this Agreement. The Company shall, at its sole cost and expense: (i) perform all repairs (whether routine or emergency) on the Energy System; and (ii) provide, or arrange for the provision of, all labor, material, and other supplies for operation and maintenance of the Energy System.

- 8.8 All material furnished by the Company shall be new unless a substitution is approved in writing by the District.
- 8.9 The Company shall promptly provide notice to the District of any problems or delays the Company is encountering in obtaining any required governmental approvals or permits or construction delays and upon approval of the Project Design. The District shall work in good faith to assist the Company in securing any and all required approvals and/or permits.
- 8.10 At least 30 days in advance of the expected Operational Commencement Date and after startup testing, the Company shall provide emergency system shutdown training for the District employees and the emergency shutdown manual as required by Section 10.4.
- 8.11 The Company shall construct the Interface Facilities in such a manner that they can be disconnected at the end of the term of this Agreement without interference with, or damage to, the Facility or other District property. Ownership of the Interface Facilities shall remain with the District. However, maintenance of the Interface Facilities and its related costs shall remain the responsibility of the Company during the term of this Agreement.
- 8.12 The Company may use contractors approved by the District (which consent shall not be unreasonably withheld) to perform its obligations under this Agreement. However, the Company will be responsible to the District for the work performed by its contractors.
- 8.13 Company is an independent contractor and Company's employees and agents have no right to workers' compensation and/or other employee benefits from the District. Nothing in this Agreement shall be interpreted to imply an employee-employer relationship, agency, partnership or joint venture between the Company and the District. Company and the District shall include such disclaimers in all agreements and arrangements with third parties relating to this project.

9. Purchase of Electricity

- 9.1 As a part of the Project Design, the Company shall submit to the District for approval the final quality and quantity specifications (voltage, frequency, amperage, temperature, pressure, flow, heat content) for the Electricity from the Energy System. The quality and quantity specification for the Electricity provided shall not vary from the Project description without the consent of the District.

- 9.2 The District shall not be obligated to accept Electricity not meeting the specifications approved pursuant to Section 9.1.
- 9.3 The Company shall not sell Electricity from the Energy System to anyone, other than the District without the written consent of the District.
- 9.4 The Company shall sell and deliver Electricity to the District and the District agrees to purchase electricity from Contractor on the following terms:
 - 9.4.1 The District shall purchase Electricity supplied by the Company from the Energy System that meets the specifications approved pursuant to Section 9.1. The District shall purchase Electricity delivered by the Company from the Energy System prior to accepting or producing any Electricity from any other source and shall use or purchase Electricity from any such other source only to the extent that the Company cannot or does not supply the District's needs for Electricity at the Facility from the Energy System. To accomplish the aforementioned purpose, the District hereby grants to the Company the exclusive rights to sewage gas produced at the Facility for the amount equal to the operating capacity of the Energy System as referenced in Section 8.5 during the term of this Agreement.
 - 9.4.2 The District shall pay the Company for Electricity produced from the Energy System at the rate shown in Exhibit A, Pricing Schedule. The District shall pay any costs for the purchase of any additional electricity needed for the operation of the Facility.
 - 9.4.3 The District agrees that any utility rebates, renewable energy credits, carbon credits, or any other incentives received by the Company due to construction and operation of the Energy System belong solely and completely to the Company.
 - 9.4.4 Company shall deliver Electricity to the District and risk of loss for Electricity shall transfer from the Company to the District at the Electrical Interconnection Point.
 - 9.4.5 The District shall measure the amount of Electricity supplied to the District at the Company furnished Net Generation Meter (NGM). Such meter shall be installed, tested and approved by a third party mutually accepted by both the Company and the District, at the Company's cost. No Electricity utilized by the Energy System as station load or related pump or equipment loads necessary to operate the Energy System shall be accounted for by the meter, which shall record only Electricity delivered to the Electrical Interconnection Point.

- 9.4.6 District shall only be required to purchase Electricity from the Company up to the amount that is consumed on-site as a part of normal operation of Rancho Composting Facility but the district may purchase additional electricity up to the total output of the energy system at the District's options.
- 9.5 The Company shall invoice the District, in a form approved by the District, monthly by the fifth (5th) day of the month setting forth the charges and the amounts due the Company for Electricity supplied to the District in the previous month. Such invoice shall include sufficient details so that the District can reasonably confirm the accuracy of the invoice including, among other details, beginning and ending meter readings. Payment for such invoice shall be due within forty-five (45) days of the invoice submittal date. If the District in good faith disputes an invoice, the District shall provide the Company with a written explanation specifying in detail the basis for the dispute, and the District shall pay the undisputed portion of the invoice no later than forty-five (45) days after receipt of the Company's invoice. Disputed portions of the Company's invoice shall be due and payable no later than forty-five (45) days after resolution of the dispute. Payments of disputed amounts shall in no way waive the District's right to contest charges.
- 9.6 The Company shall engineer, design and construct, and obtain the District's approval, for a thermal recovery system from the Energy System that is adequate and compatible with the existing boiler operation in order to provide heat to the digester at all times with the following terms:
- 9.6.1 The Company shall deliver hot water to the District's boiler at a District approved temperature and delivery point. In the event the District cannot take delivery of all and/or any hot water, Company shall be responsible to radiate the heat and recycle the water used to cool the Energy System. Company shall be responsible to mitigate the quality of supply water for use in generating hot water. District is responsible for the quality of hot water entering its boiler.
- 9.6.2 The District shall be responsible for: (i) the supply of water for use in generating hot water from the Energy System; and (ii) the receipt of hot water from the Energy System from the point of delivery that is approved by the District.
- 9.6.3 Such hot water shall be provided free of charge to the District.
- 9.6.4 In the event the hot water system from the Energy System is not functional or adequate for digester heating, the District has the right to use available digester gas for heating digesters until the hot

water system is restored by the Company or the need to use digester gas is subsided.

10. Operation of Energy System

- 10.1 The Company shall retain sole control over the Energy System at all times and the amount of Electricity delivered to the District. The Company shall notify the District as early as practical, but in no event less than seven (7) days prior to any planned downtime for maintenance and repairs. Company shall not perform scheduled maintenance during peak electricity rate period.
- 10.2 The Company shall operate the Energy System so as to not disrupt the operation of the Facility.
- 10.3 On and after the Operational Commencement Date, the Company shall cause the Energy System to be operated and maintained at the Company's sole cost, including the cost of capital repairs and replacements, in a commercially reasonable manner throughout the term of this Agreement.
- 10.4 Prior to the Operational Commencement Date, the Company shall prepare and submit a detailed emergency shutdown procedures manual for the Energy System. The Company shall update such manual whenever those procedures change. Prior to commencement of operations, upon any changes to procedures, and at least annually thereafter, the Company shall train the Facility personnel in such procedures. If the Company requests the District's personnel to shutdown the Energy System or the District follows the manual regarding emergency shutdown, then the District shall not be responsible to the Company for any damages or costs to the Energy System or any consequential losses for failure to deliver Electricity.
- 10.5 The Company shall clean up and dispose of waste generated from the construction and operation of the project at the expense of the Company. Hazardous waste shall not be stored on the leasehold premises.
- 10.6 The Company shall comply with all regulatory requirements within its working area, and moreover, keep its working area in a safe and acceptable condition as determined by the District and other government agencies.
- 10.7 Should the South Coast Air Quality Management District or any other Governmental Authority permit requirement changes during the Agreement period, the Company shall comply with the revised permit requirements at no additional cost or responsibility to the District.

10.8 The Company shall provide an Energy System Maintenance Document (ESMD) for District's review and approval. This ESMD shall include storage of necessary spare parts on site, maintenance schedule that would avoid any downtime during Edison peak hour pricing periods and other preventive measures that would maximize District Energy savings under the Edison's Net Meter Tariff.

11. Facility Maintenance/Supply of Sewage Gas

11.1 The District shall be responsible to maintain the Facility in good condition and repair so as to be able to receive and utilize Electricity and/or thermal energy from the Company. The District shall maintain in good working order and available at all times, its connection and service contract(s) with the relevant utilities or any successors thereto, so that the District can upon any suspension or interruption of the Energy System provide the Facility with the full requirements for Electricity. If the Facility shall cease to operate as a result of a malfunction or other shutdown of the Facility, the District shall use reasonable efforts to remedy such interruption as soon as possible. The preceding sentence shall not be interpreted to place any responsibility or burden on the District for costs or losses that the Company may incur as a result of an outage of the Facility. All obligations of the District in this Agreement regarding maintenance shall be subject to the right of the District during periods of renovation of the Facility to no longer accept or be obligated to pay for Electricity and to issue a shut down order to the Energy System.

11.2 The monthly base sewage gas production flow rate currently is at approximately 3.9 million cubic feet per month, or daily average of 130,000 cubic feet. If total gas production and availability to the Energy System for any month does not meet the needs of the Energy System at its designed capacity for electrical generation, this Agreement shall be extended for the number of days required to make up for the production shortfall.

12. Utilities/Expenses

12.1 District shall reimburse the Company, based on approved schedule of value, the cost associated with the interface Facilities not to exceed \$207,500. District shall withhold 10% of the \$207,500 until After 30 days of continuous operation of the Energy System at its full design capacity. Company shall provide to the District appropriate documentation to substantiate the reimbursement. Company Shall follow all Public Works Project laws, including but not limited to prevailing wage regulation, in construction of the Interface Facilities.

12.2 The District shall, at its sole cost and expense, arrange for the provision of all water, sewer, water supply and other ancillary services (other than

Electricity ancillary services applicable to the Energy System). Company shall construct necessary facilities to receive such water and sewer services.

- 12.3 Without cost to the Company, the company shall cause to deliver and District agrees to accept into its condensate collection system, all of the Company's condensate in compliance with all laws and permits, provided that the Company shall be responsible for proper disposal of all hazardous waste generated in the course of its performance under this Agreement.
- 12.4 The District shall, at its sole cost and expense, arrange to supply and deliver digester gas for the Energy System to operate in the manner required under this Agreement.

13. No Responsibility of the District

NO WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE DISTRICT WITH RESPECT TO THE SUFFICIENCY, QUANTITY AND QUALITY OF THE DIGESTER GAS PRODUCED OR TO BE PRODUCED FROM THE FACILITY, OR AS TO ITS SUITABILITY FOR ANY INTENDED PURPOSE INCLUDING, BUT NOT LIMITED TO, THE PRODUCTION OF HEAT OR POWER FOR SALE TO THIRD PARTIES OR FOR ANY OTHER PURPOSE. NEITHER PARTY TO THIS AGREEMENT SHALL BE RESPONSIBLE FOR EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR ANY LOSS OF PROFITS ARISING FROM THE PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT.

- 13.1 Except for the reimbursement for actual cost the Interface Facilities pursuant to Section 12.1 and Electricity pursuant to Section 9 hereof, the District has no obligation or have liability for the payment of labor, materials, or otherwise in connection with the design, construction, operation, repair or maintenance of the Energy System or for any contracts or subcontracts in connection therewith.
- 13.2 The District shall not incur or assume any obligation or responsibility in connection with any improvements performed or constructed by the Company at the Facility. Nothing in this Agreement or any act or failure to act on the part of the District shall be construed as a warranty or representation as to the adequacy or fitness of the Energy System or, except as expressly provided herein, as a waiver of a claim by the District for any defect or deficiency with respect to the Energy System.
- 13.3 Any contract let by the Company in conjunction with the Energy System shall specifically provide that subcontractor(s) shall indemnify, defend and hold the District officials, its officers, agents, employees, contractors, or consultants harmless from and against any claims arising out of the

Company(s), its agents, subcontractors, or employees performance of work relating to the Energy System authorized under this Agreement. Such obligations shall include, but not be limited to, personal injury, employee injury, property and third party damage claims.

- 13.4 The District shall cooperate with the Company and, if necessary, provide consents and execute with the local distribution utility such agreements as are necessary to permit the interconnection of the Energy System. The Company shall indemnify, defend, protect, and hold the District officials, its officers, agents, employees, contractors, or consultants, harmless from and against any and all claims ("Claims") for direct, actual damages and related expenses (including reasonable attorneys' fees) arising directly from each interconnection agreement executed by and between the District and the applicable Public Utility, provided that the Company has the opportunity to comment on and agree to the form of interconnection agreement for the applicable Public Utility prior to execution by the District. The Company shall not indemnify the District for any Claims or expenses which arise from matters or circumstances to the extent caused by the sole negligence or willful misconduct of the District, its agents or employees which leads to a breach of the interconnection agreement by the District.

14. Ownership of Energy System

The Energy System and all alterations, additions, improvements or installations made thereto by the Company and all the Company property used in connection with the installation, operation, and maintenance of the Energy System is, and shall remain, the property of the Company. The Energy System is personal property, and in no event shall the Energy System be considered a fixture, nor shall the District, or anyone claiming by, through, or under the District have any rights in or to the Energy System at any time except as otherwise provided herein.

15. Notices

- 15.1 All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service), sent by overnight courier, sent by regular US mail, postage prepaid, to the addresses set forth or sent by facsimile to the telefacsimile numbers set forth in Sections 15.2 and 15.3 below. All such notices or other communications shall be deemed received upon the earlier of: (i) if personally delivered or sent by overnight courier, the date of delivery to the address of the person to receive such notice; (ii) if mailed as provided above, on the date of receipt or rejection but no later than five days after the day the notice is deposited in the mail; or (iii) if given by electronic facsimile, when received by the other party if

received Monday through Friday, between 8:00 a.m. and 5:00 p.m., or if received at any other time, such notice shall be treated as received on the next business day.

15.2 Notices shall be given to the District at the following address:

General Manager
Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, CA 91302
Facsimile: (818) 251-2109

15.3. Notices shall be given to the Company at the following address:

US Energy Operating Services, LLC
8245 E. Bell Rd., Suite 132
Scottsdale, AZ 85260
Attn: Lou Lagomarsino, Managing Member
Facsimile: (480) 419-6909

15.4 Notice of change of address or telefacsimile number shall be given by written notice in the manner described in this section.

16. Administration of Employment

The Company shall obtain and administer the employment of personnel having the background, training, experience, license and registration necessary for the work assigned, including all coordination, the withholding of proper taxes and benefits, the payment of wages, employer's contributions for FICA, and Federal and State unemployment payments, and the review and maintenance of any necessary licenses, certificates, memberships, and other qualifications necessary for the services to be provided.

17. Business Tax Receipt

Prior to the execution of this Agreement, the Company shall obtain a Business license from the City of Calabasas at the Company's expense. The Company shall maintain a Business license during the term of this Agreement.

18. Default

18.1 The occurrence of any of the following shall constitute an Event of Default:

18.1.1 The failure of either party to perform or comply with any term of this Agreement within thirty (30) days after written notice by either party. However, if such default cannot be cured within

such time period, no default shall occur so long as the defaulting party shall have commenced the cure and shall diligently pursue such cure; provided, however, that such period shall not be extended beyond an additional sixty (60) days; or

- 18.1.2 Unreasonable interference by the Company with the operations of the District that is curable by suspension of operation of the Energy System and that is not cured by suspension of operations within two (2) hours of the occurrence from the District; or
- 18.1.3 Failure of the Company to obtain and maintain all necessary permits and operation by the Company in violation of any laws, ordinances, rules, regulations, orders, or permits of a public authority having jurisdiction which remains uncured after seven (7) days notice from the District or from the agency with jurisdiction without notice from the District, unless the Company is acting with due diligence to abate the violation and submits to the District a plan or course of action, subject to the District's approval, and the Company is acting within the time schedule of that plan or course of action; or,
- 18.1.4 Failure of the Company to advise the District of the loss of any permits within seven (7) days after the Company receives actual knowledge of such loss; or
- 18.1.5 Any failure of the Company to make any payment required to be made by the Company hereunder when such failure continues for a period of ten (10) days after written notice by the District to the Company; or
- 18.1.6 Should the Company at any time after the execution of this Agreement file a voluntary petition in bankruptcy or be adjudged bankrupt either upon the voluntary petition or petition of creditors of the Company which is not dismissed within ninety (90) days of its being filed, or should the Company seek, claim, or apply for any right, privilege, remedy, relief or protection afforded by any statute or statutes of the United States relating to bankruptcy, or should it make an assignment for the benefit of its creditors, or should a receiver be appointed over, or should an attachment be levied and permitted to remain for a period of more than ninety (90) days following the levying of such attachment upon or against any right, privilege to this Agreement, then, and upon the happening of either of said events, all interest, rights and privileges as shall have been therefore validly assigned by the Company pursuant to the terms, covenants, and conditions of this Agreement, shall at the sole option of the District cease,

terminate, and end upon thirty (30) days written notice to the Company from the District after any applicable time periods contained herein; provided, however, if said receiver be discharged within thirty (30) days after said receiver's appointment, the Company may, at any time within ten (10) days thereafter, notify the District thereof and resume the performance of this Agreement, and this Agreement shall thereupon again become in full force and effect.

18.2 Remedies in the Event of Default:

- 18.2.1 If the Company is in default, the District may, at the District's election, terminate this Agreement by giving the Company notice of termination. On the giving of the notice, all of the Company's rights to operate the Energy System and every part thereof shall terminate. The District shall not be deemed to have terminated this Agreement unless the District shall have so declared in writing to the Company, nor shall the District be deemed to have accepted or consented to an abandonment by the Company by performing acts intended to maintain or preserve the Energy System or appointing a receiver to protect the District's interest under the Agreement. Termination under this paragraph shall not relieve either party from the payment of any sum then due to the other party or from any claim for damages previously accrued or then accruing against the Company. Upon any termination of this Agreement, the Company shall execute such documents as the District may request to memorialize the termination and to release the District from the terms and conditions of this Agreement.
- 18.2.2 If the Company is in default, the District shall be entitled, at the District's election, to damages equal to the amount necessary to compensate the District for all the detriment proximately caused by the Company's failure to perform the Company's obligations under this Agreement, or which in the ordinary course of things would be likely to result therefrom. However, damages shall specifically not include Electricity costs to the Facility as a result of the termination of this Agreement.
- 18.2.3 If the Company is in default, the District shall be entitled, at the District's election, if permitted under the terms of this Agreement, to perform any obligation of the Company under any provision of this Agreement, on the Company's failure or refusal to do so, shall not constitute a waiver of any right or remedy for the Company's default and the Company shall promptly reimburse,

defend and indemnify the District against all liability, loss, cost and expense arising therefrom.

- 18.2.4 Upon the occurrence of a default, the non-defaulting party shall have the right, in addition to the above, to pursue all remedies available at law or in equity, including specific performance.

19. Obligation to Remove and Remediate

Unless an Event of Termination has previously occurred, and the District is not otherwise in default, the District may purchase the Energy System commencing three years after the Operational Commencement Date and at the end of each year thereafter for the following purchase option prices:

Year 3:	\$280,425	Year 11:	\$101,045
Year 4:	\$257,056	Year 12:	\$85,246
Year 5:	\$233,687	Year 13:	\$69,447
Year 6:	\$210,319	Year 14:	\$53,648
Year 7:	\$186,950	Thereafter:	\$50,000
Year 8:	\$163,581		
Year 9:	\$140,212		
Year 10:	\$116,844		

The District shall pay sales tax related to the exercise of this purchase option.

20. Condition of Premises

20.1 Whether the Company has visited and inspected the Facility or not, the Company agrees that it has had the opportunity to inspect and the Company has determined that the grounds of the Facility are adequate and suitable for the purpose of constructing, operating, and maintaining the Energy System.

20.2 The District makes no warranty or representation whatsoever concerning the Facility or grounds of the Facility, including without limitation, the condition, fitness or utility, condition of the grounds of the Facility, the Facility itself, the improvements thereon, soil, water, air, geology, and specifically disclaims all other warranties whatsoever, express or implied, including the warranty of merchantability or habitability or fitness for a particular purpose including the purposes intended by the Company. The Company's right to use the Facility and its grounds is strictly on an "as is" basis with all faults. Further, the Company understands and agrees that the Facility is or may be of such character and condition so as to require special engineering for construction of the Energy System and agrees that the District shall not be responsible for any land subsidence, slippage, soil instability or damage resulting there from. Except as provided herein, the

District shall not be required or obligated to make any changes, alterations, additions, improvements or repairs in, on, or about the Facility or its grounds.

- 20.3 The Company is responsible for removal and proper disposal, subject to District's approval, of the existing two fuel cell units, all equipment and electrical connections related to the existing fuel cell and gas treatment project that the company is not using as a part of the project pursuant to this Agreement.

21. Compliance with Government Regulations

- 21.1 Subject to the Company's right to contest, the Company shall, at its sole cost and expense, at all times during the Agreement, conform to, and cause all persons using or occupying any part of the Facility to comply with, all applicable laws from time to time applicable thereto arising out of the Company's use of the Facility. The Company covenants and agrees to indemnify and save the District harmless from any penalties, damages, or charges imposed for any violation of any laws applicable to the construction of the Energy System and to the use and occupancy of the Energy System whether occasioned by neglect, omission, or willful act of the Company, or by any person in the Energy System by license or invitation of the Company or holding or occupying the same or any part thereof under or by right of the Company.
- 21.2 Any environmental assessments and reports shall be coordinated with the designated representatives of the District so as to permit continuous review of the assessments and report process.
- 21.3 The Company shall deliver to the District upon request, and at the Company's expense, copies of documents and such other evidence as are normally and customarily issued by governmental authorities to demonstrate proof of compliance with all applicable laws pertaining to permits and authorizations relating to the Energy System generally and to the Energy System specifically.

22. Insurance

Company shall purchase and maintain, at its sole cost and expense during the life of this Agreement, the following insurance with an insurer or insurers satisfactory to the District:

- 22.1 Combined single limits of not less than two million (\$2,000,000) dollars of Comprehensive General Liability Insurance, including Bodily Injury and Property Damage and two million (\$2,000,000) dollars of Comprehensive Automobile Liability Insurance, including Bodily Injury and Property Damage. This insurance shall include:

- 22.1.1 Extension of coverage to the District, its officers, agents and employees, as additional insureds, with respect to the Company's liabilities hereunder in insurance coverage identified above;
- 22.1.2 A provision that coverage will not be canceled or subject to reduction until at least thirty (30) days prior written notice has been given to the District Clerk;
- 22.1.3 A provision that the Company's insurance shall apply as primary, and not excess of, or contributing with, the District;
- 22.1.4 Contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the Company in the indemnity and hold harmless provisions;
- 22.1.5 A cross liability clause, or equivalent wording, stating that coverage will apply separately to each named or additional insured as if separate policies had been issued to each;
- 22.1.6 A broad form property damage endorsement; and
- 22.1.7 A provision that the policies be provided on an "occurrence" basis.
- 22.2 Statutory Workers' Compensation and Employer's Liability Insurance, with an insurance company acceptable to District, which shall cover all employees of the Company while performing any work incidental to the performance of this Agreement.
- 22.3 Approval of insurance by the District or acceptance of the certificate of insurance by the District shall not relieve or decrease the extent to which the Company may be held responsible for payment of damages resulting from the Company's services or operation pursuant to the Agreement, nor shall it be deemed a waiver of the District's rights to insurance coverage hereunder.
- 22.4 Current Certificates of Insurance on forms approved by the District and evidencing the above coverage, shall be completed by the Company's insurer or its agent and submitted to the District prior to execution of this Agreement by the District. Additional insured coverage to the District shall be shown through separate policy endorsement. The Company shall exercise due diligence to require any and all consultants and/or subcontractors and all tiers of such subcontractors to provide General and Automobile Liability, Professional Liability and Workers' Compensation and Employers' Liability Insurance with minimum limits of coverage and upon terms and provisions required in this Agreement.

23. Indemnification and Hold Harmless

23.1 The Company shall defend, indemnify and hold harmless the District, its officers, employees and agents from and against any and all loss, damage, liability, claims, demands, detriments, costs, charges and expenses (including reasonable attorneys' fees) and causes of action of whatsoever character which the District may incur, sustain or be subjected to on account of loss or damage to property or loss of use thereof, or for bodily injury to or death of any persons (including but not limited to property, employees, subcontractors, agents and invitees of each party hereto) arising out of or in any way connected with the work to be performed under this Agreement other than as such work relates to Professional Liability insurance, except that loss, damage, liability, claim, demand, detriment, cost, charge and/or expense arising out of the established sole negligence or willful misconduct of the officers or employees of the District.

23.2 As relates to Professional Liability, the Company shall defend, indemnify and hold harmless the District, its officers, agents and employees from and against any and all loss, damage, liability, claims, demands, detriments, costs, charges and expenses (including reasonable attorneys' fees) and causes of action of whatsoever character which District may incur, sustain or be subjected to on account of loss or damage to property or loss of use thereof, or for bodily injury to or death of any persons including, but not limited to, property, employees, subcontractors, agents, and invitees of each party hereto, arising out of or due to the acts, errors or omissions of the Company

24. Ownership of Documents

The Company shall grant a non-exclusive, non-transferable right to the District to use all documents, computer programs, plans, renderings, charts, designs, drafts, surveys and other intellectual property, which is originally developed by the Company pursuant to the Agreement. The Company will take such steps as are necessary to perfect or to protect the rights of the District in such property. The District shall maintain all such documents, computer programs, plans, renderings, charts, designs, drafts, surveys, and other intellectual property in strict confidence to the extent such confidence is not in conflict with the California Public Records Act or other applicable statutes or regulations.

25. The District's Non-Discrimination Clause

During the performance of this contract, the Company and its subcontractors shall not unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (over 40) or sex. The Company

and its subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free of such discrimination. The Company and its subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12900 et seq.) and the applicable regulations promulgated thereunder (California Administrative Code, Title 2, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, Section 12900, set forth in Chapter 5 of Division 4 of Title 2 or the California Administrative Code are incorporated into this contract by reference and made a part hereof as if set forth in full. The Company and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

The Company shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the contract.

26. Miscellaneous

- 26.1 The District may inspect areas leased by the Company for environmental compliance. This right shall impose no obligation upon the District to conduct any such inspections or relieve the Company of any obligations for environmental compliance.
- 26.2 The Company shall maintain true and accurate books and records that shall reflect the identity and interest of all persons having any beneficial interest (direct or indirect) in the Company or any person comprising the Company. (This requirement shall not apply to shareholders of the Company.) Said records shall reflect the identity and capacity of all officers, directors, and other persons having managerial responsibility of and for the Company or any person comprising the Company, and shall reflect all the business transactions of the Company on and in connection with the Facility. The Company shall, at all times, maintain a current filing with the Secretary of State. Said filing shall include a current resolution of persons authorized to execute legal documents on behalf of the Company.
- 26.3 Except as expressly provided for in this Agreement, the District will not be responsible for any operational costs or revenue losses or losses or damage to personal property, equipment or materials of the Company caused by the District's use of the Facility, except to the extent resulting from the District's sole negligence or anyone acting by or through the District.
- 26.4 The Company agrees to pay all lawful taxes, assessments, or charges that at any time may be levied upon any interest in this Agreement.
- 26.5 The Company, its employees, contractors, subordinates and assigns are not entitled to any Relocation Payment or Relocation Advisory Assistance,

or costs pursuant to the Government Code Sections 7260 et seq., or any regulations implementing or interpreting such sections. Except as otherwise expressly provided for in this Agreement, the Company further agrees that it has no claim in either law or equity against the District for damages or other relief should the Agreement be terminated in accordance with its terms for any reason other than a default hereunder by the District, and waives any such claims it may have, created by their occupancy of the Facility.

- 26.6 Access to the Facility shall be limited to the Company and its subcontractors for the sole purpose of operation and maintenance of the Energy System, unless the Company has received written authorization from the District for special additional access.
- 26.7 The Company shall not use the Facility or permit any other person to use the Facility or any party thereof, nor allow any person access to the Facility for any use that constitutes waste or nuisance. The Company at all times during the Agreement, at the Company's sole cost, shall do all things necessary to maintain the Facility in a clean and sanitary manner. No dumping of refuse by the Company is permitted in any area of the Facility, and the Company further agrees that the Company shall at all times exercise due diligence in the protection of the Facility against damage or destruction by fire or other cause.
- 26.8 This Agreement does not constitute, and the parties hereto do not intend it to create between the District and the Company, a partnership or a joint venture, or the relationship of master and servant, or principal agent. The Company and any and all agents and employees of the Company shall act in an independent capacity and not as officers or employees of the District.
- 26.9 This Agreement shall be governed by the laws of the State of California and any disputes between the parties shall be brought in the Superior Court of the State of California in and for the County of Los Angeles.
- 26.10 The terms of this Agreement and covenants and agreements herein contained shall apply to and shall bind and inure to the benefit of the heirs, representatives, assigns and successors in office or function of the parties hereto.
- 26.11 The Company shall pay all royalties and license fees that may be required for methodology, techniques, and for other intellectual property, in connection with operating the Energy System. The Company shall indemnify the District against and defend all suits or claims for infringement of any patent, copyright, trade secret, trade name, trademark

or any other proprietary or contractual rights and shall hold the District harmless from loss, expense, claim, or cost on account thereof.

- 26.12 The Company shall grant the District a non-exclusive, non-transferable right to use any intellectual property rights relating to the Energy Systems installed at the Facility. Nothing in this section shall abrogate the rights of the Company or third parties to copyright, patents or other rights that are separate from the design of the Energy System at the Facility. Should this Agreement terminate, expire or the Company enter into default and the Energy System remains upon the District property beyond the time to remove the Energy System as set forth in Section 20, the District's non-exclusive, non-transferable right to use any intellectual property rights relating to the Energy System shall remain vested with the District.

26.13 Effect of Force Majeure.

26.13.1 Any party claiming Force Majeure shall advise the other party as soon as possible of the occurrence of the event and shall provide the other party with the basis of the claim, in writing, within ten (10) days of the occurrence of the event. The District and the Company shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

US ENERGY OPERATING SERVICES, LLC

By:
Title: _____

LAS VIRGENES MUNICIPAL WATER DISTRICT

President of the Board

ATTEST:

Secretary of the Board

EXHIBIT A

PRICING SCHEDULE

Company proposes to install the Energy System and provide ongoing operation, service and repairs per the following price schedule:

1. Unit cost for electricity \$.0649/kWh
 - a. Annual escalation of unit cost for electricity (Year 1-10) 1.8 %
 - b. Annual escalation of unit cost for electricity (Year 11-20) 1.2 %

2. Rent Recovery Fee
 - a. On a monthly basis, six (6) cents per KWh rent recovery fee shall be added to the first 50,000 KWh of electricity generated and sold to the District. The total amount of the rent recovery fee shall not exceed the total rent paid to the District. Rent Recovery Fee shall not be subject to annual escalation.

February 2, 2009 Joint Powers Authority Meeting

TO: Boards of Directors

FROM: Finance and Administration

Subject Joint Powers Authority Quarterly Financial Report at December 31, 2008 and Spotlight on Joint Powers Authority

SUMMARY

Operating expenses for the current year exceed those of the prior year, as expected, and are more than 50% of the total budgeted for the fiscal year. Energy costs are higher than expected (61.9% of total budget at December 31) and many of the chemical and other supply costs, permit and fees, and outside services were made in the first half of the fiscal year and will not be repeated at that level in the second half. Capital project expenses are greater than the same time last year and primarily are from the centrate treatment and nitrogen reduction projects being committed for compliance with Tapia's NPDES permit.

RECOMMENDATION

- Receive and file.

DISCUSSION

The overall actual expenses are higher than straight-line budget projections as of December 31. Although increased energy costs may be problematic, other expenses for goods and services represent irregular purchases and may not be repeated through the rest of the fiscal year. Staff will monitor expenses over the next quarter to see if an actual trend upward is developing before making conjectures on the budget.

Sandra Schmidt prepared this report. Marsha Eubanks prepared the Spotlight on Joint Powers Authority

Attached: Joint Powers Authority Second Quarter Financial Review
Spotlight on Joint Powers Authority


John R. Mundy
Administering Agent/General Manager


Date



Joint Powers Authority Second Quarter Financial Review

FY08-09 Year to Date at December 31

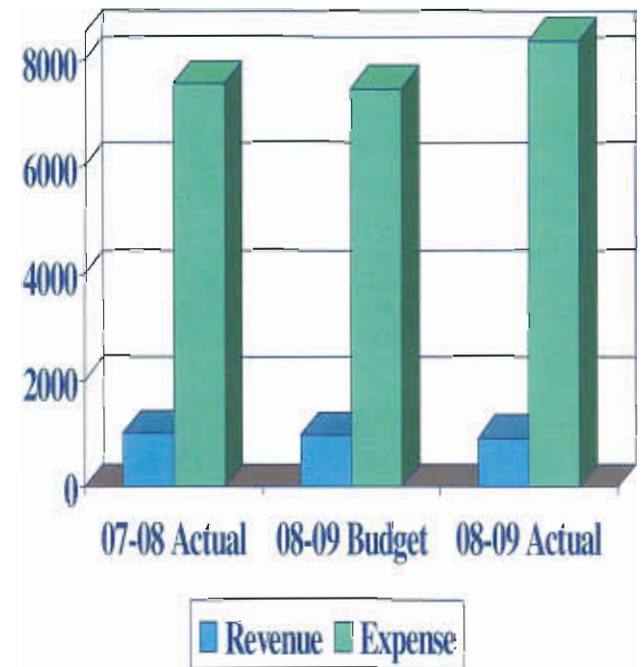
	FY07-08 Actual YTD	FY08-09 Budget YTD	FY08-09 Actual YTD
Net Uses of Fund	\$7,598,736	\$11,104,601	\$11,149,225
LV Share	\$5,186,697	\$7,683,924	\$7,715,852
TSD Share	\$2,412,039	\$3,420,677	\$3,433,373

Joint Powers Authority Operations

Second Quarter

	FY 07-08 Actual YTD	FY 08-09 Budget YTD	FY 08-09 Actual YTD
Total Operating Revenues	\$ 1,021,001	\$ 983,104	\$ 919,054
RW Pump Station	730,836	701,869	828,112
RW Tanks & Reservoirs	52,444	73,755	107,348
RW System Operations	31,730	23,981	75,064
RW Distribution	108,661	47,576	159,130
Sewer	203,061	176,216	208,983
Waste Water Treatment	3,673,642	3,710,019	3,843,011
Composting	2,185,094	2,137,794	2,577,213
Farm Operation	44,550	79,944	87,881
Administration	523,669	503,266	469,206
Total Operating Expenses	7,553,687	7,454,420	8,355,948
Net Operating (Expenses)	\$ (6,532,686)	\$ (6,471,316)	\$ (7,436,894)

(in Thousands)





Comparison to Prior Year and Budget

	Actual	Prior Year	Budget
Operating Revenues	\$919,054	N \$101,947	N \$64,050
Operating Expenses	\$8,355,949	N \$802,262	N \$901,529
Capital Project Expenses	\$3,754,119	N\$2,598,404	P \$921,266

Joint Powers Authority Operations
Quarterly Update - Comparison to Budget & Prior Year at December 31, 2008
FY08-09 Year to Date

	<u>FY 07-08 Actual YTD</u>	<u>FY 08-09 Budget YTD</u>	<u>FY 08-09 Actual YTD</u>
<u>Total Revenues</u>			
Operating Revenues	\$ 1,021,001	\$ 983,104	\$ 919,054
Other Revenues	89,665	42,100	41,789
Total Revenues	<u>1,110,666</u>	<u>1,025,204</u>	<u>960,843</u>
<u>Total Expenses</u>			
Operating Expenses	\$ 7,553,687	\$ 7,454,420	\$ 8,355,949
Capital Project Expenses	1,155,715	4,675,385	3,754,119
Total Expenses	<u>8,709,402</u>	<u>12,129,805</u>	<u>12,110,068</u>
Net (Uses) of Funds	<u>\$ (7,598,736)</u>	<u>\$ (11,104,601)</u>	<u>\$ (11,149,225)</u>
Las Virgenes Share	<u>(5,186,697)</u>	<u>(7,683,924)</u>	<u>(7,715,852)</u>
Triunfo Share	<u>(2,412,039)</u>	<u>(3,420,677)</u>	<u>(3,433,373)</u>

Joint Powers Authority Operations
Quarterly Update - Comparison to Budget & Prior Year at December 31, 2008
FY08-09 Year to Date

	<u>FY 07-08 Actual</u> <u>YTD</u>	<u>FY 08-09 Budget</u> <u>YTD</u>	<u>FY 08-09 Actual</u> <u>YTD</u>
Total Operating Revenues	\$ 1,021,001	\$ 983,104	\$ 919,054
RW Pump Station	730,836	701,869	828,112
RW Tanks & Reservoirs	52,444	73,755	107,348
RW System Operations	31,730	23,981	75,064
RW Distribution	108,661	47,576	159,130
Sewer	203,061	176,216	208,983
Waste Water Treatment	3,673,642	3,710,019	3,843,011
Composting	2,185,094	2,137,794	2,577,213
Farm Operation	44,550	79,944	87,881
Administration	523,669	503,266	469,206
Total Operating Expenses	<u>7,553,687</u>	<u>7,454,420</u>	<u>8,355,948</u>
Net Operating (Expenses)	<u>\$ (6,532,686)</u>	<u>\$ (6,471,316)</u>	<u>\$ (7,436,894)</u>

Las Virgenes Municipal Water District and Triunfo Sanitation District Joint Powers Authority
Capital Improvement Projects Working Capital
Fiscal Year 2008-09 - through December 31, 2008

Job # - Description	LV %	TSD %	Working Capital Requirement				Expenditures			
			per Budget	Current Est	LV Share	TSD Share	Total	LV Exp	TSD Exp	
10184 - 8 mg/l Nitrogen Compliance-	70.60%	29.40%	\$6,963,837	\$6,902,238	\$4,872,980	\$2,029,258	\$3,457,997	\$2,441,346	\$1,016,651	7
10190 - Manhole Rehab, F2/F3 Line	40.10%	59.90%	\$0	(\$2,684)	(\$1,076)	(\$1,608)	\$0	\$0	\$0	
10253 - Rancho LV-Rpl Flare/Flr Contrl	70.60%	29.40%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
10257 - Fuel Cell Rplcmnt-Staff Labor	70.60%	29.40%	\$280,000	\$280,000	\$197,680	\$82,320	\$0	\$0	\$0	
10280 - RWPS#2 Const-Eastern System	70.60%	29.40%	\$148,745	\$11,067	\$7,813	\$3,254	\$67,957	\$47,978	\$19,979	9
10281 - 24" RW Pipeline-MulHnd-Tapia	70.60%	29.40%	\$367,868	\$513,280	\$362,376	\$150,904	\$81,862	\$57,795	\$24,067	
10350 - Rancho Centrifuge #2 Conveyor,	70.60%	29.40%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	8
10351 - Mixing Zone Study	70.60%	29.40%	\$0	\$3,966	\$2,800	\$1,166	\$3,178	\$2,244	\$934	
10364 - Bisulfite Tank#2 Replacement	70.60%	29.40%	\$0	\$56,499	\$39,888	\$16,611	\$53,282	\$37,617	\$15,665	
10365 - Automate Sewer Plug	70.60%	29.40%	\$75,000	\$75,000	\$52,950	\$22,050	\$19,847	\$14,012	\$5,835	
10367 - Laboratory Equipment	70.60%	29.40%	\$80,000	\$80,000	\$56,480	\$23,520	\$0	\$0	\$0	
10386 - Clbsas City Cntr RW Extension	100.00%	0.00%	\$155,320	\$0	\$0	\$0	\$0	\$0	\$0	6
10387 - Rancho Material Handling Imprv	70.60%	29.40%	\$100,000	\$100,000	\$70,600	\$29,400	\$0	\$0	\$0	
10388 - RVL: Steam Line Repairs	70.60%	29.40%	\$110,000	\$110,000	\$77,660	\$32,340	\$0	\$0	\$0	
10390 - RVL: Sludge Pump Upgrades	70.60%	29.40%	\$161,500	\$161,500	\$114,019	\$47,481	\$0	\$0	\$0	
10391 - RVL:Compost Reactor Bldg Ceilg	70.60%	29.40%	\$176,500	\$176,500	\$124,609	\$51,891	\$0	\$0	\$0	
10392 - RVL:Replace Centrate Line	70.60%	29.40%	\$75,000	\$75,000	\$52,950	\$22,050	\$50	\$35	\$15	
10393 - RW Storage Study	100.00%	0.00%	\$88,250	\$175,000	\$175,000	\$0	\$0	\$0	\$0	5
10399 - Tapia Major Maintenance	70.60%	29.40%	\$67,500	\$67,500	\$47,655	\$19,845	\$41,505	\$29,303	\$12,202	
10402 - Rancho Groundwater Wells	70.60%	29.40%	\$100,000	\$100,000	\$70,600	\$29,400	\$0	\$0	\$0	
10404 - Tapia Tank Rehab - FY08-09	70.60%	29.40%	\$170,000	\$170,000	\$120,020	\$49,980	\$0	\$0	\$0	

<i>Job # - Description</i>	<i>LV %</i>	<i>TSD %</i>	<i>Working Capital Requirement</i>				<i>Expenditures</i>		
			<i>per Budget</i>	<i>Current Est</i>	<i>LV Share</i>	<i>TSD Share</i>	<i>Total</i>	<i>LV Exp</i>	<i>TSD Exp</i>
10407 - Tank Renovation:Indian Hills	70.60%	29.40%	\$150,000	\$150,000	\$105,900	\$44,100	\$16,082	\$11,354	\$4,728
10408 - Cathodic Protection Progm-JPA	70.60%	29.40%	\$81,250	\$81,250	\$57,363	\$23,888	\$4,119	\$2,908	\$1,211
10413 - Wsilk Village ComPark RW Extn	100.00%	0.00%	\$0	\$155,320	\$155,320	\$0	\$0	\$0	\$0 ⁶
10414 - Misc. Equipment - JPA/FY 08-09	70.60%	29.40%	\$0	\$0	\$0	\$0	\$8,240	\$5,817	\$2,423 ⁷
<i>Totals</i>			<u>\$9,350,770</u>	<u>\$9,441,436</u>	<u>\$6,763,587</u>	<u>\$2,677,849</u>	<u>\$3,754,119</u>	<u>\$2,650,408</u>	<u>\$1,103,711</u>

Footnotes

- ¹ 8 mg/l Nitrogen Compliance-Project includes Centrate Treatment & BNR expenditures.
- ⁵ Additional appropriation of \$86,750 approved October 28, 2008, Agenda item #8B.
- ⁶ Transfer appropriation of \$155,320 from WO 10386 to WO 10413 approved November 25, 2008, Agenda item #7B.
- ⁷ WO10414 established to administer expenditure budgeted in operating accounts.
- ⁸ Costs to overhaul centrifuge were budgeted in FY0708 operations. Additional expenditure was approved October 9, 2007, Agenda item #7C.
- ⁹ Project is complete. Accepted on July 22, 2008, Agenda item #8C.

*Las Virgenes Municipal Water District and Triunfo Sanitation District Joint Powers Authority
Capital Improvement Project Status
December 31, 2008*

<i>Job # - Description</i>	<i>LV %</i>	<i>TSD %</i>	<i>Prior Year Unexpended Appropriations</i>	<i>Current Year Appropriations</i>	<i>Current Year Expenditures</i>	<i>Contractual Commitments</i>	<i>Project Balance</i>	<i>LV Balance</i>	<i>TSD Balance</i>	
10184 - 8 mg/l Nitrogen Compliance-	70.6%	29.4%	\$5,502,238	\$1,400,000	\$3,457,997	\$2,697,593	\$746,648	\$527,133	\$219,515	1
10190 - Manhole Rehab, F2/F3 Line	40.1%	59.9%	(\$2,684)	\$0	\$0	\$0	(\$2,684)	(\$1,076)	(\$1,608)	
10253 - Rancho LV-Rpl Flare/Flr Contrl	70.6%	29.4%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
10257 - Fuel Cell Rplcmnt-Staff Labor	70.6%	29.4%	\$20,000	\$260,000	\$0	\$0	\$280,000	\$197,680	\$82,320	
10280 - RWPS#2 Const-Eastern System	70.6%	29.4%	(\$238,933)	\$250,000	\$67,957	\$56	(\$56,946)	(\$40,204)	(\$16,742)	9
10281 - 24" RW Pipeline-MulhInd--Tapia	70.6%	29.4%	\$168,280	\$345,000	\$81,862	\$97,233	\$334,185	\$235,935	\$98,250	
10350 - Rancho Centrifuge #2 Conveyor,	70.6%	29.4%	(\$90,474)	\$0	\$0	\$34,222	(\$124,696)	(\$88,035)	(\$36,661)	8
10351 - Mixing Zone Study	70.6%	29.4%	\$3,966	\$0	\$3,178	\$788	\$0	\$0	\$0	
10364 - Bisulfite Tank#2 Replacement	70.6%	29.4%	\$56,499	\$0	\$53,282	\$0	\$3,217	\$2,271	\$946	
10365 - Automate Sewer Plug	70.6%	29.4%	\$75,000	\$0	\$19,847	\$0	\$55,153	\$38,938	\$16,215	
10367 - Laboratory Equipment	70.6%	29.4%	\$80,000	\$0	\$0	\$0	\$80,000	\$56,480	\$23,520	
10386 - Clbsas City Cntr RW Extension	100.0%	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	6
10387 - Rancho Material Handling Imprv	70.6%	29.4%	\$0	\$100,000	\$0	\$0	\$100,000	\$70,600	\$29,400	
10388 - RVL: Steam Line Repairs	70.6%	29.4%	\$0	\$110,000	\$0	\$0	\$110,000	\$77,660	\$32,340	
10390 - RVL: Sludge Pump Upgrades	70.6%	29.4%	\$0	\$161,500	\$0	\$0	\$161,500	\$114,019	\$47,481	
10391 - RVL:Compost Reactor Bldg Ceilg	70.6%	29.4%	\$0	\$176,500	\$0	\$0	\$176,500	\$124,609	\$51,891	
10392 - RVL:Replace Centrate Line	70.6%	29.4%	\$0	\$75,000	\$50	\$0	\$74,950	\$52,915	\$22,035	
10393 - RW Storage Study	100.0%	0.0%	\$0	\$175,000	\$0	\$0	\$175,000	\$175,000	\$0	5
10399 - Tapia Major Maintenance	70.6%	29.4%	\$0	\$67,500	\$41,505	\$7,149	\$18,846	\$13,305	\$5,541	
10402 - Rancho Groundwater Wells	70.6%	29.4%	\$0	\$100,000	\$0	\$0	\$100,000	\$70,600	\$29,400	
10404 - Tapia Tank Rehab - FY08-09	70.6%	29.4%	\$0	\$170,000	\$0	\$0	\$170,000	\$120,020	\$49,980	

<i>Job # - Description</i>	<i>LV %</i>	<i>TSD %</i>	<i>Prior Year Unexpended Appropriations</i>	<i>Current Year Appropriations</i>	<i>Current Year Expenditures</i>	<i>Contractual Commitments</i>	<i>Project Balance</i>	<i>LV Balance</i>	<i>TSD Balance</i>
10407 - Tank Renovation:Indian Hills	70.6%	29.4%	\$0	\$150,000	\$16,082	\$0	\$133,918	\$94,546	\$39,372
10408 - Cathodic Protection Progm-JPA	70.6%	29.4%	\$0	\$81,250	\$4,119	\$0	\$77,131	\$54,454	\$22,677
10413 - Wstlk Village ComPark RW Extn	100.0%	0.0%	\$0	\$155,320	\$0	\$0	\$155,320	\$155,320	\$0
10414 - Misc. Equipment - JPA/FY 08-09	70.6%	29.4%	\$0	\$0	\$8,240	\$0	(\$8,240)	(\$5,817)	(\$2,423)
Totals			<u>\$5,573,892</u>	<u>\$3,777,070</u>	<u>\$3,754,119</u>	<u>\$2,837,041</u>	<u>\$2,759,802</u>	<u>\$2,046,353</u>	<u>\$713,449</u>
Totals: Las Virgenes MWD			<u>\$3,935,986</u>	<u>\$2,763,726</u>	<u>\$2,650,408</u>	<u>\$2,002,951</u>	<u>\$2,046,353</u>		
Totals: Triunfo Sanitation District			<u>\$1,637,906</u>	<u>\$1,013,345</u>	<u>\$1,103,711</u>	<u>\$834,090</u>	<u>\$713,449</u>		

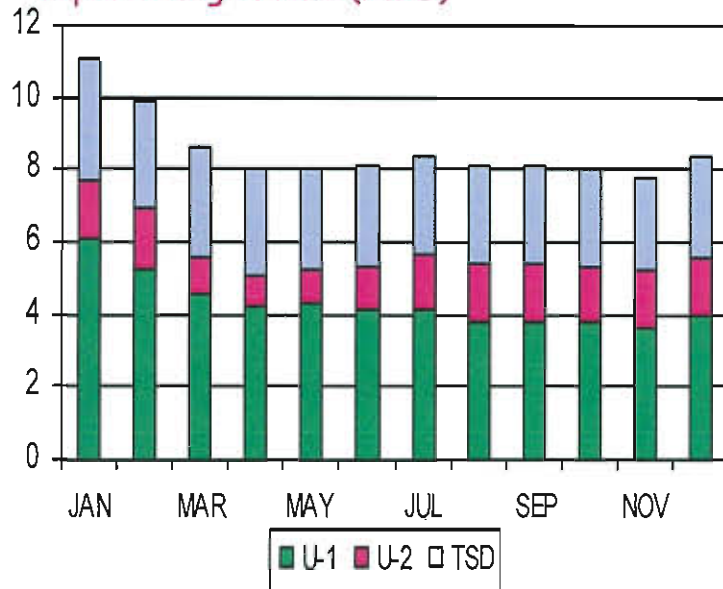
Footnotes

- 1 8 mg/l Nitrogen Compliance-Project includes Centrate Treatment & BNR expenditures.
- 5 Additional appropriation of \$86,750 approved October 28, 2008, Agenda item #8B.
- 6 Transfer appropriation of \$155,320 from WO 10386 to WO 10413 approved November 25, 2008, Agenda item #7B.
- 7 WO10414 established to administer expenditure budgeted in operating accounts.
- 8 Costs to overhaul centrifuge were budgeted in FY0708 operations. Additional expenditure was approved October 9, 2007, Agenda item #7C.
- 9 Project is complete. Accepted on July 22, 2008, Agenda item #8C.

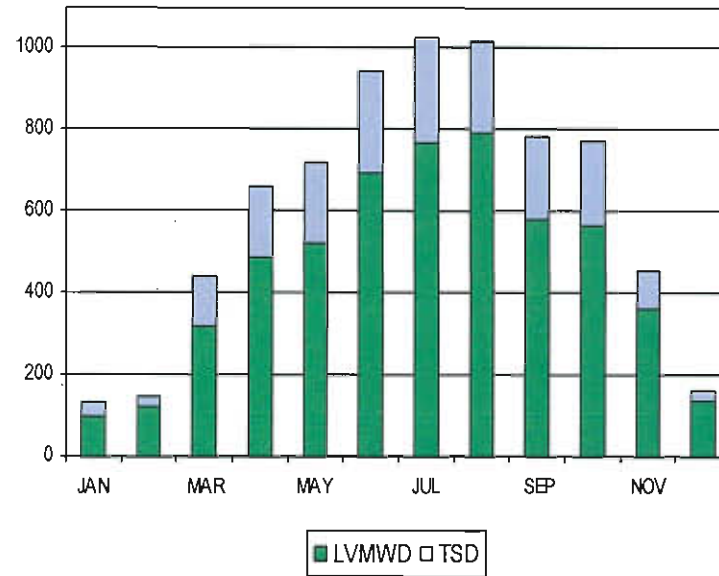
SPOTLIGHT on the JOINT POWERS AUTHORITY

2nd Quarter, FY08-09

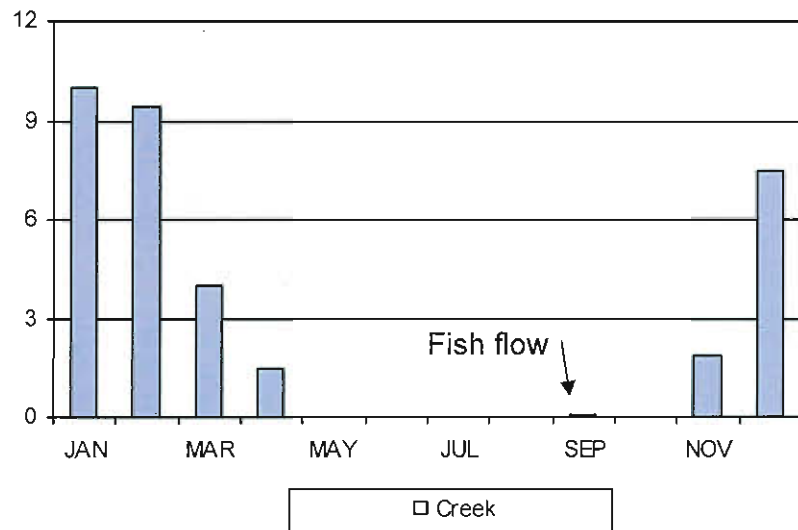
Tapia Sewage Flows (MGD)



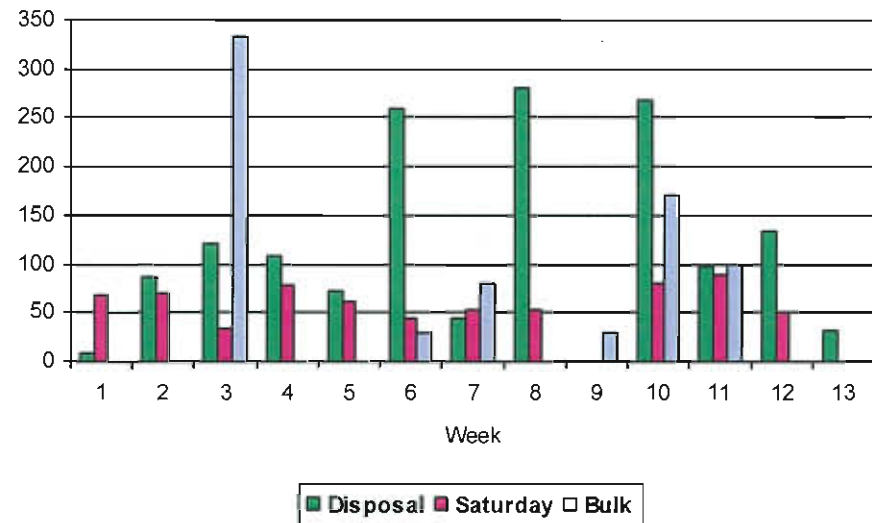
Deliveries to the Reclaimed System (AF)



Effluent Disposal (MGD)



Weekly Compost Marketing (CY)



February 2, 2009 JPA Board Meeting

TO: Board of Directors
FROM: Facilities and Operations

Subject: Award of Contracts - Renovation of Indian Hills Recycled Water Tank

Las Virgenes-Triunfo Joint Powers Authority approved funding for this matter in the Joint Powers Authority Budget. The Las Virgenes Board, as the administering agent, awarded the contract for the *Mechanical Work: Woolsey (LV) and Indian Hills (JPA) Tanks Project* to Crosno Construction, in the amount of \$80,900.00, and awarded the contract for the *Painting and Coating Work: Woolsey and Indian Hills Tanks Project* to RPI Coating, in the amount of \$413,000.00, at their January 13, 2009 meeting.

SUMMARY


At the December 18, 2008 bid opening, the Administering Agent received the attached bids for mechanical work to include installation of piping improvements, vents, and repair of steel structures at Woolsey and Indian Hills tanks, and painting and coating work at Woolsey and Indian Hills tanks. Staff will coordinate the work and progress of all the contractors. All work for both tanks is required to be completed by May 14, 2009, when water demand typically increases. After evaluation of the low bids, it was determined that the work for Indian Hills tank will be \$265,700. The JPA approved an additional appropriation for \$157,209 to cover work specifically for the Indian Hills tank (JPA) at the January 5, 2009 joint meeting.

FINANCIAL IMPACT

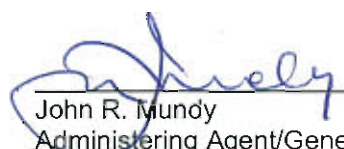
The financial status of the Indian Hills RW tank renovation project is summarized in the following table:

Estimated cost of Indian Hills Tank Improvements	\$265,700
BEC consult. (app'd at the 11/11/08 LV meeting)	\$10,657
Subtotal	\$276,357
10% to cover contingencies	\$27,636
Projected total costs	\$303,993
Current total appropriations	\$303,993

Rommel M. Marzan, Associate Engineer, prepared this report.

 1/21/09

Date
David R. Lippman
Director of Facilities and Operations

 1/23/09

Date
John R. Mundy
Administering Agent/General Manager

Attachment: Tabulation of Bid Results

10(1)

BID RESULTS – Bid opening December 18, 2008

Low Bid – Underlined

Mechanical Work: Woolsey and Indian Hills Tanks

<i>Engineer's Estimate</i>	<i>\$127,000.00</i>	<u>Woolsey (LV)</u>	<u>Indian Hills (JPA)</u>
<u>Crosno Construction</u>	<u>\$80,900.00</u>	\$30,700.00	\$50,200.00
Atlas-Allied	\$121,630.00		
Cora Construction	\$88,802.00		
Spiess Construction	Non-responsive		

Painting and Coating Work: Woolsey and Indian Hills Tanks

<i>Engineer's Estimate</i>	<i>\$700,000.00</i>	<u>Woolsey (LV)</u>	<u>Indian Hills (JPA)</u>
<u>RPI Coating</u>	<u>\$413,000.00</u>	\$178,000.00	\$235,000.00
Classic Protective Coatings	\$1,227,000.00		
Blastco	\$765,600.00		
Olympus & Assoc.	Non-responsive		
Murphy Indus. Coatings	Non-responsive		

February 2, 2009 JPA Board Meeting

TO: Board of Directors
FROM: Facilities and Operations

**Subject: Consultant Contracts Given Administrative Approval
For the Three Month Period Ending December 31, 2008**

None to report.

Marsha Eubanks, Administrative Services Officer, prepared this report.

 1/20/09

David R. Lippman Date
Director of Facilities and Operations

 1/21/09

John R. Mundy Date
Administering Agent/General Manager

10(2)

February 2, 2009 JPA Board Meeting

TO: Board of Directors

FROM: Resource Conservation & Public Outreach

Subject: Summary of Conservation Measures

SUMMARY

In response to the mounting supply shortage, the JPA has requested a summary of conservation measures implemented by LVMWD.

A brief summary of activities and outreach includes:

- Sustained conservation information in "billing stuffer" newsletter
- Letter from General Manager to all customers
- Ads in local newspapers and at Calabasas movie theater
- Cable TV conservation messages on public bulletin board
- News releases
- Recognition of citizens and agencies for extraordinary conservation efforts
- Conservation pages on LVMWD website
- Quarterly Facility Tour program
- MWD Tours (State Water Project, Colorado River Aqueduct)
- School education programs and handouts
- Booth at community events
- Speaker's bureau (HOAs, service clubs, chambers)
- Rebate programs on washers, toilets, irrigation controllers and sprinkler heads
- Gardening classes
- Bilingual irrigation restriction handout
- Board-adopted conservation measures:
 - Irrigation prohibited from 10 a.m. to 5 p.m.
 - Runoff from property not permitted
 - Washing of hardscape with a hose prohibited
 - Trigger nozzle required on hose for car washing
 - Restaurants may only serve water upon request

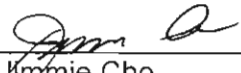
- Hotels must offer multi-night guests option to retain linens
- Escalating monetary fines for repeated non-compliance (Letter, \$50, \$100, 250)
- Restriction or termination of service for additional violations

Next Steps-


If MWD moves to allocations, LVMWD is developing plans for allocations based on lot size. Each residential customer would receive a base amount (16 units for single family residential and 12 units per multi-family dwelling) for indoor use. Any amount above that figure is considered outdoor use. Depending on the necessary reductions to comply with MWD's allocation to LVMWD, a budget will be computed based on the ET (evapo-transpiration) watering factor and the allocation goals LVMWD needs to achieve to remain in compliance.

Should the above occur, LVMWD will expand community outreach through mailings, community "town hall" meetings, direct mail, news releases and an expanded advertising schedule.

Jeff Reinhardt, Public Affairs Manager prepared this report.



Jimmie Cho Date
Director of Resource Conservation & Public Outreach



John R. Mundy Date
Administering Agent/General Manager